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The Province of Alberta

IN THE MATTER OF THE PUBLIC INQUIRIES ACT

AND IN THE MATTER OF O/C 290/73, AN INQUIRY
INTO THE NEW TOWN OF GRANDE CACHE

N.R. CRUMP, Esq.,

Chief Commissioner.

T.H. PATCHING, Esq.,

Commissioner.

DAVID GRAHAM, Esq.,

Commissioner.

W.A. Stevenson, Esq.,

Commission Counsel.

J.G. Martland, Esq., and

For McIntyre

D.O. Sabey, Esq., Q.C.,

Porcupine Mines Ltd.

Lorne Ingle, Esq.,

For United Steel-
workers of America.

DATE: September 24, 1973

HELD AT: Edmonton, Alberta

VOLUME X

(Pages 984 - 1089)

Supreme Court Reporters

EDMONTON, ALBERTA

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I N D E XVOLUME X

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JOHN CURTIS

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R.H. McKinnon - Stevenson Ex.

PROCEEDINGS before the Board of
Commissioners, at the Law Courts,
City of Edmonton, Province of
Alberta, commencing at 9:30 a.m.,
Monday, September 24th, A.D. 1973.

MR. CRUMP: Mr. Stevenson?

MR. STEVENSON: The first witness this morning, Mr.
McKinnon. Mr. McKinnon, would you come up here please.

RANDOLPH HUGH McKINNON, sworn, examined by Mr. Stevenson:

MR. STEVENSON: Mr. McKinnon is a former member
of the Executive Council of this Province and I would like to
record the Commissioners' views with respect to the calling of
witnesses who were members of the Executive Council.

Mr. McKinnon, the Commissioners'
ruling is that they do not expect former members of the
Executive Council to answer questions with respect to
inter-governmental communications as such. They do, of
course, expect members of Executive Council to answer
questions relating to information coming from other sources
and from representations or communications made by the
Government. They also do not intend to ask members of the
Executive Council to justify any governmental policy with
respect to which they may have been involved, except to the
extent that they may wish to do so. Now in your case your
portfolio did not have a direct involvement, your involvement
was after you were a member of Executive Council, so I don't
anticipate that we will have any problems.

1-GR-2

R.H. McKinnon - Stevenson Ex.

Q MR. STEVENSON: Mr. McKinnon, you were the Minister of Education until June of 1967, is that correct?

A That's right, sir.

Q And after June of 1967 you became the Chairman of the Alberta Advisory Council, is that correct?

A That's correct, sir.

Q And what was the Alberta Advisory Council?

A The Alberta Advisory Council was a lay group set up by the Government to provide a layman's feedback if you wish, to malfunctions, duplications, et cetera, of government programs.

Q And you became involved with an organization called the Grande Cache Co-ordinating Committee. Can you tell us how that organization came to be established?

A Yes, sir. There was an attempt to coordinate all Government services when the building of Grande Cache town started to get into high gear. It was thought by the Government at that time that it would be a good idea to have a clearing house meeting if you like, that could keep all departments of Government involved in what was going on. Actually this was set up under the aegis of the Human Resources Development Authority and the letter went out from the Minister, Chairman, I believe he was Chairman at that time, the Honourable Fred Colborne, to all departments, asking them to name some person in their department to be knowledgeable in what was happening at Grande Cache. This was subsequently done and we called meetings, we called a meeting of all of those involved, and to that meeting were also invited the developers of the Town,

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R.H. McKinnon - Stevenson Ex.

A (Continued) the mine developers and of course the New Town Council were invited to be represented. That, sir, is basically the makeup of the committee.

Q Were all departments of Governments represented on this committee?

A Eventually they were. I'm not quite sure whether they were in the very first meeting but eventually, whether they had involvement or not, we at least advised them of their privilege if you like, to be, to come to the meeting and find out what the others were doing. Some, of course, were more involved than others right along.

Q And is it correct that this committee started meeting early in 1969?

A Yes, sir, it would be early '69, it would be March I suppose, April.

Q And at the time that this committee started meeting what was the status of development in the Town, was it just starting?

A Yes. The Town was just starting. We had had two meetings I think by early July, which was the first time I visited the Town. There were about four houses started at that time in the Town, in I guess it would be about the southeast corner of the Town. The streets were cleared, some work had been done on clearing a place for a water reservoir, et cetera, so the physical development was just beginning.

Q Did the committee meet regularly?

A We didn't have regular times set up, although as it developed we did meet quite regularly, I think nearly once a month for

1-GR-4

R.H. McKinnon - Stevenson Ex.

A (Continued) about two years.

Q And would these be half day or day long meetings?

A They generally were half days, some of them ran a little more than a half day, but I think most of the time we got the work done in about a half day.

Q Were representatives of McIntyre Porcupine invited to attend meetings?

A Yes, they were, and to my recollection I believe they attended most of them.

Q Do you remember who in particular attended?

A Mr. Les Price was the major attender during that time.

Q Now, Mr. McKinnon, in certain press reports in 1969 and 1970 you were quoted as indicating that a basis for the Town's development might be tourism. Can you tell me whether or not there had been any studies undertaken, economic studies or feasibility studies, of the prospects of tourism at that time?

A I don't believe so, sir, I don't believe there were any studies done.

Q Then and at that time the indication that there was some prospect for tourism was not founded on an economic study but on anticipation?

A Yes, I think that would be correct, sir.

Q Was the Grande Cache Co-ordinating Committee advised of the broad terms of the agreement between McIntyre Porcupine and Japanese coal purchasers?

A No, I'm not aware that we were, anybody on the committee, other than those involved immediately with it. We weren't

1-GR-5

R.H. McKinnon - Stevenson Ex.

A (Continued) briefed specifically on the terms of the contract.

Q Did the length of term of the contract play any part in your considerations?

A Well, yes, I would -- to this extent, sir, that the 15 year time period became a factor in our discussions in that mortgage monies, et cetera, for the, raising money for the houses, it was considered by many to be a fairly short term, and I recall this was the subject of some discussion in our meetings as to how one could get people to invest with the 15 year time period, but that, so that would be about the major involvement, sir.

Q And was this same concern true with respect to commercial development?

A Yes, I believe so. I think this, that was expressed by others as well.

Q And was it your understanding during the course of the meetings of this committee that there was a 15 year contract?

A Yes. It was my understanding that the first contract was for 15 years, hopefully, if that one could be delivered on; others were rumored at that time.

Q Now, in developing, in plans for developing the community which came within your attention as a member of the Grande Cache Co-ordinating Committee and its Chairman for the most part, were there projections as to the anticipated population of the Town?

A As I recall, sir, we did, we were thinking in terms of 3500 to 4,000. This figure, as I recall, was mentioned frequently.

Q Was there, to your knowledge, Mr. McKinnon, any commitment by the government with respect to the company's operation at Grande Cache in respect to the development of the community?

A I am not quite sure -- commitment by the government --

Q By the government?

A To the company, sir?

Q Yes.

A Perhaps I could -- if I could answer that this way, there was a commitment by the government to the people of the new community, I think this would be maybe a better way of stating it, than saying commitment to the company. Certainly in the development of the community there was cooperation extended to the company in the development of the community, but I think the idea was that this was a commitment to the public, as it were, rather than to the company, as I would state that one.

Q And what was the commitment to the community then, Mr. McKinnon?

A Well, to provide streets, roads, power, water, sewer, the usual types of things which a town would provide. It was the attempt of the government to have those in as in all new towns -- as in The New Town Legislation, to have those in, even before the population was actually there, and this was merely the commitment that we were trying to pull together.

Q And was there any apparent urgency in pushing along the development of the Town?

A Yes, as I recall, there was a commitment deadline for first

R. H. McKinnon - Stevenson Ex.

A (continued) deliverance of coal. Part of our job in the Coordinating Committee was to make sure that no unnecessary bottlenecks developed, so that the Town itself wouldn't be the bottleneck.

Q And did there develop some concern about the construction during -- the high cost conditions?

A Those were mentioned later. It became, once the Town became developed, we were aware of complaints about high cost. It wasn't mentioned earlier in our meetings. That is from the residents, sir, themselves, I am not sure about the people who were doing the developing, but the residents themselves didn't express any concern in the beginning, although they did later.

Q At the time that the committee was meeting, the Grande Cache Coordinating Committee, what indication was there from the company as to the method of mining that was going to be used?

A My own understanding, sir, was that it would be -- my observations on site and most of the discussions, seemed to be an underground mine.

Q And was there also an indication that the contract in respect of which you had some information and involved 15-year term was expected to be increased in size to extend the term or extend the tonnages?

A Yes, there were rumours that a second contract might be negotiated if delivery could be made satisfactory on the first one.

Q Was the government aware, were you aware in your position on the committee, of the quantities of coal that were being delivered, or were to be delivered under the contract?

R. H. McKinnon - Stevenson Ex.

A I have some recollection in my mind, sir, that it was one to one and a half million tons a year, sir, something like that.

Q Was there any concern on the part of the company as to the quality of the Town that was to be built?

A Well, it was my understanding and observation as we worked in the Coordinating Committee that this was to be -- not to be a company town in the usual sense, that it was to be a public town, and I think that is probably the reason that it was 8 or 9 miles from the site, and there was concern expressed that it be first quality.

Q Was the Department of Highways one of the departments that was involved in the Coordinating Committee?

A Yes, sir, it was.

Q And Municipal Affairs?

A Municipal Affairs, yes.

Q And did you say earlier that the Board of Administrators was also represented?

A They were at the meetings, yes.

Q And at that time that would be primarily Mr. Gurel, was it?

A Yes, Mr. Gurel and Mr. Swan attended fairly regularly.

Q I gather, Mr. McKinnon, that the company made a contribution to the recreational centre and to the hospital, were you aware of that?

A Yes, I was, sir.

Q And was that something that came within the concern of the committee, or was that just received for information purposes?

A Mainly received for information purposes, although in the case

A (continued) of the hospital I think that this was -- the contribution by the company was in lieu of leaving -- well, really to get the hospital started earlier. It ordinarily wouldn't have been possible to get it built as early as that, without that contribution, so the company recognizing the need for a hospital made that contribution.

Q This committee kept minutes, Mr. McKinnon?

A Yes, sir.

Q Which were kept by your office?

A Yes, my secretary took the minutes and we distributed them to all people who attended the meeting, plus to the Cabinet Ministers and to the Deputies. They were very brief minutes, sir, we didn't attempt to put down everything that happened.

Q And who was responsible for seeing that decisions made within the committee, or recommendations made within the committee, were carried out?

A The departments concerned carried out the responsibilities.

Q And did you have any ongoing responsibility for that?

A Not really, except that to indicate to the department when the next meeting was coming up, and indicate to them that we would be happy to have their report of progress at the next meeting; this would be about our only involvements.

Q Do you recall any discussion during the time that you were involved with the committee of the prospect of strip mining operations being carried on, and the effect it might have on the labour supply or demand?

A That may have been discussed, but it didn't enter very strongly

1-JH-5

R. H. McKinnon - Stevenson Ex.

A (continued) into our discussions at that stage.

Q Mr. McKinnon, I have the Minutes here of February 26th, 1970; that would be the Minutes of the Committee chaired by you on that date?

A Right.

Q Would you read what is said under the heading "McIntyre Porcupine"?

A "The original contract with Japan for two million tons of coal should start August, fairly well on schedule. There is more exploration near the present plant site, this should lead to a second agreement with the Japanese this summer. This second agreement will be for three to three and a half million tons and perhaps maybe five million. This will largely be from open pit mines, and the number of people employed will be somewhat less than underground. An additional 350 to 400 people will be required for a total of 950 to 1000, with the production to reach maximum in '73 -- " this is not a complete sentence " -- will be going into operating situations sometime late this summer. Mr. Price touched on the situation regarding wages, for example, electricians average 350 to 400 per week, with fringe benefits."

Q Would that information have been given by Mr. Price?

A I would think so, sir.

Q And would any of the population figures that were given to your committee have been given by Mr. Price or someone from McIntyre?

A I would think so, sir, I am not -- I think that is probably where

1-JH-6

R. H. McKinnon - Stevenson Ex.

A (continued) they came from.

Q Now, I understand, Mr. McKinnon, that the first meeting of any kind relating to the coordination in the Grande Cache community was in fact held just before you became Chairman, presided over by Mr. Kroitor, K-r-o-i-t-o-r, the Department of Public Works?

A Yes, I couldn't comment on that one, except that we did get those for information.

Q And these Minutes were provided to you?

A Right.

Q And there is a summary, and this is dated March 7th, 1969, and this is apparently a governmental committee?

A It looks like inter-departmental, sir, and Housing Corporation.

Q And the Alberta Housing Corporation?

A Yes.

Q And in the Minutes there there is a summary, Item 19, of which reads -- could you read that in for us, please?

A "Based on projected figures it is anticipated that by the end of 1970 this Town will have reached a population of 4,000 with present design to handle 5 to 6,000."

Q Now, that was a governmental department meeting and there is no indication that anybody from McIntyre Porcupine was present at that meeting?

A That's right, sir.

Q And was there other information changing those original projections given to you at any time, as far as you can recall?

A Various figures were used, sir, I wouldn't -- the one that sticks most strongly in my mind is that 3500 figure, 3500 to

1-JH-7

R. H. McKinnon - Stevenson Ex.

A (continued) 4,000, and I am not too sure of where that kept coming from.

Q Was there any indication given during the meetings that you were present that the government had assured or promised a paved highway into Grande Cache?

1-SS-1

R.H. McKinnon - Stevenson Ex.
- Sabey Ex.

A Well, I think it was indicated that this would receive the usual priorities, that if the traffic got to a certain stage, then it would receive the priority in the highway system.

Q Was there any decision made that you were aware of that a highway would be built through the community, connecting it with Hinton and Grande Prairie?

A I think there was some wishful thinking expressed at the time but no commitments there, to my knowledge.

Q In connection with these population figures, there was just one other item that I wanted to ask you about, Mr. McKinnon. We have minutes of June 23rd, 1969, which would have been prepared by your secretary and kept in your possession. There is a reference on page 6 to Mr. Price, would you just read the first two sentences, please?

A "Mr. Price again brought up the subject of financing as it concerned his firm. A population of 4,000 is expected by 1970 and facilities are needed."

Q I take it that was in relation to a discussion to provide apartments and other facilities by the developers?

A That is right, sir.

MR. STEVENSON: Those are all the questions that I have, Mr. McKinnon, there may be some others.

MR. CRUMP: Mr. Sabey, have you any examination?

MR. SABEY: I think I have just a few, Mr. Chairman, thank you.

MR. SABEY EXAMINES THE WITNESS:

Q Mr. McKinnon, you were Minister of Education until 1967?

1-SS-2

R.H. McKinnon - Sabey Ex.

A That is right sir.

Q So you would have been a member of the Government up till that time?

A Right, from '64 to '67.

Q Thank you. Now you became Chairman of the Grande Cache Coordinating Committee in 1969?

A That is right, sir.

Q That was when the Committee was formed?

A Right.

Q And you had upwards of how many people attending as members of the Committee from time to time, would there be as many as 50?

A We would have had some meetings that might have had as many as 50 ---

Q --- and one of them ---

A --- fairly sizeable meetings.

Q Yes, and one of those representatives may have been from the company?

A Yes. I would think they were represented some way at every meeting.

Q Yes. Your minutes would bear that out though?

A Yes.

Q But in any event, the company would have one out of some 50 representatives, that is the point I was trying to make?

A Right.

Q Now the purpose of the Coordinating Committee I presume was just that, to coordinate?

1 - SS-3

R.H. McKinnon - Sabey Ex.

A Right, and to let every other Department know what any particular Department was doing sir.

Q It was not a decision making body, was it?

A No sir.

Q It was really a vehicle to get the various Government Agencies together and probably to make sure that everybody got their reports ready if you had a target date at the meeting, is that the sort ---

A --- that particular part of it, sir, turned out to be a, in my own opinion, one of the advantages of the meeting, that one had to report progress or no progress once a month, which was quite an expediting effort in itself sir.

Q Quite, quite. Now this Committee was formed when the Town was just starting, I think you said?

A Well, when the physical development ---

Q --- yes, about four houses?

A That is right.

Q Now sir, having been a member of the Government, you were aware that this was not the first town built under the new town site?

A That is right.

Q As a matter of fact, there had been quite a few prior to this, hadn't there?

A That is right sir.

Q Devon?

A I believe it came under.

Q Hinton?

A Yes, they were using Town Legislation.

1-SS-4

R.H. McKinnon - Sabey Ex.

Q Fort McMurray?

A Right.

Q Rainbow?

A Rainbow, Fox Creek.

Q Fox Creek?

A Yes sir.

Q So there were a number of others?

A Right.

Q But this is the first time that the Government had put together a Coordinating Committee?

A Yes sir.

Q Yes, as far as you were aware?

A As far as I knew, yes sir.

Q Now sir you had mentioned the, one of the concerns that was expressed at one of the meetings was the relatively short term, the fifteen year term, and the difficulty of getting financing?

A Yes sir.

Q Do I take it from that or may I take it from that, sir, that it would have been difficult for the home owners to get mortgage financing on their home in that period of time if they had gone for financing themselves as distinct from it being a corporate financing from McIntyre Porcupine?

A That was a concern constantly expressed, sir.

Q But of course that did not arise because the company, McIntyre-Porcupine, was arranging the financing on those homes?

A That is right sir.

Q Had that been done in any of the prior new towns, to the best

1-SS-5

R.H. McKinnon - Sabey Ex.

Q (cont.) of your knowledge?

A I am not aware of any, sir.

Q Who expressed the concern that this be a first quality town, does that emanate from the Government, some of the Government Agencies, the planning agencies?

A I don't recall sir who made that first statement but it, it was made by, I don't know who made it first, it was made by practically all agencies later.

Q That was the consensus, everyone ---

A --- they concurred with that idea, yes sir.

Q And indeed, McIntyre Porcupine also concurred with that idea?

A That is right sir.

Q Now you have mentioned that, I believe that everyone including the company had a continuing desire to avoid this becoming a 'company town'?

A Yes sir.

Q And indeed, the company refused the suggestion that it have a member on the Board of Administrators, didn't it?

A I wasn't aware of that, sir.

Q Oh, I see, you wouldn't know that information within your Committee?

A No sir.

Q You had nothing to do with the administration of the Town?

A No sir.

Q I see, I beg your pardon sir. Do you know then whether the company, that is McIntyre Porcupine, had any participation in settling the price of the lots for the Town?

A I am not aware of that, sir. I wouldn't have thought so.

1-SS-6

R.H. McKinnon - Sabey Ex.

Q In point of fact, they complained about the high cost of the lots at one of the Committee meetings, did they not?

A I believe so sir.

Q Yes, they had no involvement in the layout of the Town to the best of your knowledge, did they, that was done by one of the Government Agencies?

A I believe that was done by the Planning Branch sir, yes.

Q They had no involvement in the determination of what commercial facilities would be available in the Town?

A I am not sure about that sir, I am not sure how they arrived at that. I do recall there was a request for a proposal I believe put out by the Town which was a, seemingly a new technique at the time. Instead of tendering, this R.F.P. Request For Proposal technique was used and several groups, I believe, put forward a proposition to develop them all, hotel, etc., I am quite sure that was done by the Board.

Q By the Board of Administrators?

A Yes sir.

Q That would come later though sir?

A Yes sir.

Q After the Town had developed further?

A Yes sir.

Q In the original planning, the concept of what facilities or who might provide those commercial facilities would be determined then by one of the Planning Agencies in the Government?

A I would expect so sir.

1-SS-7

R.H. McKinnon - Sabey Ex.

Q Certainly ---

A --- I do not know the details of that.

Q Certainly not within your Committee?

A Not within our Committee, sir.

Q Sir, you had indicated that McIntyre Porcupine contributed to the cost of the hospital so to get it there earlier because they recognized the need for the hospital. I take it, sir, you are not suggesting that the Government did not recognize a need for the hospital but rather or simply that the Town didn't then qualify, under the rules or regulations for a hospital, and they expedited it?

A That is right sir, that is true.

Q Now sir you hesitated when Mr. Stevenson suggested to you that the population figure came from Mr. Price or someone else from McIntyre Porcupine. Now, do you know in your own mind, or your recollection, whether those figures did come from McIntyre Porcupine or whether they might have suggested the labour force that would be necessary and some other agency within the Government might have transposed those into population figures?

A Yes sir. My recollection is not too clear on where those came from to start with.

Q Yes.

A But I do recall, I do recall, now that you have mentioned it, a labour force figure, a ratio of four to one was indicated. So if you have one labour, this would be four of the population.

Q But you don't recall from where they came?

1-SS-8

R.H. McKinnon - Sabey Ex.
- Ingle Ex.

A No sir, I don't.

MR. SABEY: Thank you very much, Mr. McKinnon.

MR. CRUMP: Mr. Ingle, have you any questions?

MR. INGLE: Yes, Mr. Chairman.

MR. INGLE EXAMINES THE WITNESS:

Q Mr. McKinnon, your committee the Coordinating Committee began to function, did I understand you to say, in 1969?

A Yes sir.

Q And early in the considerations of your Committee there were discussions with respect to the provision of streets and power and water and sewage services. Is that what I understood you to say?

A Well yes sir, these would be reported to the Committee, the state of progress of the provision of these would be mainly what would be stated at our Committee.

Q I see. But the decisions with respect to providing those facilities would have been made by the various bodies represented on your Committee?

A Actually I presume by the Town Administration sir, I would think those would be determined that way.

Q I see. And in fact, those decisions would have been made some time prior to the formation of your Committee?

A I believe the Town was surveyed, I believe sir the Town Administration itself was set up as early maybe as 1966 and I am not sure at what stage it may have been surveyed out. It would be sometime between then and '69, because the contours were starting to take shape in '69 when I first visited it in

1-SS-9

R.H. McKinnon - Ingle Ex.

A (continued) July of 1969.

Q Was the Provincial Planning Board one of the agencies represented on your Committee?

A They had representatives there sir, from time to time, I am not sure whether they were there through all of the meetings or not.

Q Is it possible that forecasts of population growth may have been provided to your Committee by the Provincial Planning Board?

A My recollection is not clear on where those figures came from sir.

Q I see. Well, I can tell you, Mr. McKinnon, that this Commission has had evidence that as early as August 1966, which would be some three years prior to the formation of your Committee, the Provincial Planning Board was projecting population figures of some five thousand for the Town by 1973. That evidence was given by a representative of the Board of Administrators, you have no comment to make on that?

A No sir, that would be - various Departments had their information on that and as we say, really what ours was to do was to, our main objective was to let the rest of the Departments know what each Department knew about the situation. That may have come out from there in the Minutes, the Minutes might show that, I am not sure of that sir.

Q Well, can you comment then, Mr. McKinnon, on whether the estimates of population which the Provincial Planning Board projected were the basis on which the development of streets

1-SS-10

R.H. McKinnon - Ingle Ex.

Q (continued) and power and water and sewage were based?

A I couldn't comment on that sir, I have no knowledge of how that, that would have arisen.

Q Was there any discussion in your Committee as to recommending at meetings as to the extent to which serviced lots would be prepared for the Town?

A The numbers?

Q Yes.

A The numbers were mentioned, sir. My recollection is not too clear except that there were phases mentioned, I recall some figure of say one hundred and sixty houses in phase 1, I am not sure, I wouldn't vouch for the figures but that was the kind of thing, so many houses again in phase 2, etc., but the numbers I haven't clearly in my mind sir.

Q And you can't be of any further assistance to this Commission in recollecting where those projections came from on which such decisions were based?

A No sir, I can't.

Q Because, as I read the evidence which this Commission has already received, a major problem so far as the Town is concerned is that they had some two hundred and twenty fully serviced unsold lots which represent a very substantial charge against the Town, thank you very much.

R.H. McKinnon - Patching Ex.

MR. CRUMP: Thank you, Mr. Ingle. Mr. Graham,
have you any questions?

MR. GRAHAM: None, no questions, sir.

MR. CRUMP: Mr. Patching?

MR. PATCHING: Yes, I'd like to ask a few rather
general questions.

MR. PATCHING EXAMINES THE WITNESS:

Q Would it be fair to say that during the discussions of the
committee almost all of the activities there were predicated
on the operations at the mine?

A Yes, sir, that was the main concern during that time the
committee was operating.

Q Was the committee looking at any other possible economic
base for the community?

A Only in general ways. I think, again there was wishful
thinking that tourism might develop. There was talk fairly
early on, I think, with respect to the power development,
which subsequently followed. That was mentioned, I believe,
in a meeting or two, but those are the main ones.

Q But virtually all of the operations, all of the construction
of the Town, was to provide a base for the mining operations?

A Yes.

Q A community for the mining operations?

A Yes, sir. The major concern at that time was to meet a
deadline for the delivery of the first coal, which I believe
was sometime in 1970.

Q Would it be fair to say that during this time there was a

2-GR-2

R.H. McKinnon - Patching Ex.
- Crump Ex.
- Stevenson Re-Ex.

Q (Continued) very strong feeling of optimism amongst those concerned about the prospects of the operation?

A Yes, sir. During all of the time that I was involved in this Co-ordinating Committee it was a very optimistic time as far as everybody on the committee was concerned, as far as I could tell. I was very optimistic myself.

Q Were there any concerns or reservations expressed about difficulties, like layoffs or non-fulfillment of contracts?

A No, sir, the major concern expressed in those days, as I recall it, was getting enough labour.

MR. PATCHING: I think that's all, thanks.

MR. CRUMP EXAMINES THE WITNESS:

Q Mr. McKinnon, have you seen the New Town of Grande Cache recently?

A No, sir, I haven't been there for about a year now probably.

MR. CRUMP: M-hm. Thank you. Mr. Stevenson, have you any re-examination?

MR. STEVENSON: Yes, I just wanted to put the one question I put to Mr. McKinnon back in context, in the minutes.

MR. STEVENSON RE-EXAMINES THE WITNESS:

Q I've read or had you read portions of the minutes of June 23rd, 1969. Just so that we are sure as to who said what, Mr. McKinnon, would you read the preceding paragraph and the entire paragraph that I had you read part of.

A Starting here, sir?

Q Yes.

2-GR-3

R.H. McKinnon - Stevenson Re-Ex.

A "Mr. Price said 170 houses and 46 apartments are to be ready by September and the people need shopping facilities. Schedule important to McIntyre Porcupine. Two banks interested in space but Post Office have still not indicated if they want space."

Q Then this paragraph.

A "Mr. Price again brought up the subject of financing as it concerns his firm. A population of 4,000 is expected by 1970 and facilities are needed. Mr. Woronuk assured him that every facility that anyone would need would be there. Mr. Price also expressed concern about high prices if there is little or no competition. Was also concerned that plans for the hotel might be held up."

Q Is it correct that the Mr. Price was the Mr. Price you had spoken to with McIntyre Porcupine, and Mr. Woronuk was a representative of Grande Cache Holdings Limited who actually did the development of the hotel and some of the shopping center facilities?

A That's right, sir.

MR. STEVENSON: Thank you, Mr. McKinnon, that's all.

MR. CRUMP: That's all you have, Mr. Stevenson?

MR. STEVENSON: Yes.

MR. CRUMP: Thank you for coming, Mr. McKinnon,
and you may stand down.

2-GR-4

J. Currie - Stevenson Ex.

A Thank you.

MR. STEVENSON:

Thank you, Mr. McKinnon.

(Witness retires)

MR. STEVENSON:

Mr. Currie.

JOHN CURRIE, sworn, examined by Mr. Stevenson:

Q Mr. Currie, I understand that you were the secretary of the Alberta Resources Railway Corporation from June of 1965 to the fall of 1971, is that correct?

A That is correct.

Q And your present position is a government position as Executive Assistant to the Deputy Provincial Treasurer, is that correct?

A No, I'm Assistant Deputy Provincial Treasurer.

Q I see. And the position you held before that?

A Was the Executive Assistant to the Deputy Provincial Treasurer.

Q And you have been in Government service with the Department of the Provincial Treasurer for 37 years?

A That is correct.

Q And you were appointed to the position of secretary of the Alberta Resources Railway Corporation shortly after its incorporation, is that correct?

A That is correct.

Q Who were the original board members of that corporation, do you remember?

A Yes. By the Act the Provincial Treasurer was Chairman of the Board.

J. Currie - Stevenson Ex.

Q That was Mr. Aalborg?

A Mr. Aalborg. And then, appointed by Order in Council were Mr. Patrick, Mr. Harvey, Mr. Dodds and Mr. Hustus.

Q And Mr. Aalborg was the Chairman?

A Yes.

Q And did the directors of the corporation meet at his call?

A At the call of the Chair.

Q Did any of the negotiations that took place between McIntyre Porcupine Mines Limited and the Canadian National Railway become the subject of discussion at meetings of the Board of the Alberta Resources Railway, when you were present?

A Not to my recollection.

Q Now I take it that you were responsible for the minutes of that corporation?

A That is right.

Q And you were present at directors meetings?

A Yes.

Q Or, but the odd occasion when you couldn't attend your deputy was present?

A That's right.

Q And those minutes were in your custody?

A Yes, they were.

Q And you have examined them and had copies made for us, is that correct?

A That is correct.

Q Now, was the extent of the Smoky River coal development, the deposits and economics of developing them, ever discussed at

2-GR-6

J. Currie - Stevenson Ex.

Q (Continued) meetings of the Alberta Resources Railway?

A Not other than the impending coal contract.

Q And to what extent was that the subject of discussion at meetings of the Board?

A I think the Board was notified that there was an impending coal contract ^{and they hoped it,} /to get/with the size of the contract in general.

Q Now there was an agreed rental rate paid by the Canadian National to the Alberta Resources Railway Corporation for the movement of commodities over the railway, is that correct?

A That is correct.

Q And there was an agreed rental rate for coal at a figure of a dollar forty per ton?

A That is in the agreement.

Q Was that, the fixing of that coal rate discussed at a Board meeting?

A No, the amount itself was not discussed, it had been predetermined before the Board was set up.

Q Now, I take it that the coal rate was in fact renegotiated or adjusted to give a more favourable rate, at some point during the railway's career, is that correct, do you recall that?

A The only change that came known to our Board was the second change, for the second contract they proposed to get, and at that time it was brought before the Board and discussed that the rate now should be set at 60 cents a ton rather than the 50 cents a ton that had been set prior by the Government.

Q The earlier rate of 50 cents per ton, which was a reduction

2-Gr-7

J. Currie - Stevenson Ex.

Q (Continued) from a dollar forty, that was not discussed by the Board?

A That is correct.

Q That presumably was a Government decision?

A That's my understanding of it.

Q Was there any work done by the corporation, the Alberta Resources Railway, in determining whether or not the other reduction, the 60 cent reduction, was justified or not, was there any investigation carried out by the railway?

A No, it mainly came through a letter that was given to the corporation by the CNR, suggesting that if they were to get a second contract, that the rate could not be increased any more than up to 60 cents a ton.

Q Now Mr. Currie, you provided us with a series of correspondence, copies of correspondence, which I believe in fact at one point were tabled in the legislature, correspondence relating to the incorporation of the Alberta Resources Railway, part of the speeches given by the Premier in relation to the Alberta Resources Railway, and the letters relating to the renegotiation of the coal rate from a dollar forty to 60 cents or a dollar forty to 50 cents, and certain material that the corporation has collected with respect to the development of the railway and the Government's commitments in respect of it, and this is all from the Alberta Resources Railway's files, is that correct, this material?

A That material was collected in 1970, to make a presentation to the Canadian National on the tonnage rental loss that the

2-GR-8

J. Currie - Stevenson Ex.

A (Continued) corporation was facing.

Q And this material is indexed showing the source of the material?
Is that correct?

A I haven't seen that before but I presume it was done.

Q It was all collected --

A It was Mr. Aalborg that actually collected the material and got it together.

MR. STEVENSON: I'm going to mark that as Exhibit 32.

A COLLECTION OF LETTERS AND
DOCUMENTS MARKED EXHIBIT 32.

Q MR. STEVENSON: And there is in that bundle of material the correspondence relating to the 60 cent rate and the 50 cent rate. Now, what discussion was there that you can recall of the negotiations with respect to the 60 cent rate - on what basis was this put to the Alberta Resources Railway?

A A letter was sent from CNR to Mr. Aalborg, stating that if McIntyre were to be successful in a second contract with the Japanese, that the rate of 60 cent per ton would be the maximum amount that the railway could receive, that is the Alberta Resources Railway could receive.

Q And did the directors of the Alberta Resources Railway accept that figure?

A They weren't happy with it but at the same time they figured if they had to get another contract that was, they had to go along with the rate.

Q And you do not recall any discussion of the 50 cent rate at a meeting of the Board of the Alberta Resources Railway?

2-GR-9

J. Currie - Stevenson Ex.

A No. The first time that I heard about that was on our first collection of tonnage rental from the CNR. The cheque came in with a voucher to show that it was being paid on the basis of 50 cents per ton and my accountant questioned it, asked me about it, and then I took it up with Mr. Aalborg I believe, and that was when I first found out that there was a change in the tonnage rental.

Q That had been negotiated between Mr. Aalborg and the CNR?

A That is right. The cheque was received in December of '67. It was the first time we received any money from the CNR.

Q I'm showing you addendum number 3 in Exhibit 32, dated the 2nd of March 1966, confirming a conversation that in the circumstances now prevailing the most the Railway could pay in rental respecting this coal traffic would be 50 cents per short ton.

A Yes. The Board were certainly not aware of that.

MR. SABEY: That's a letter from whom, Mr. Stevenson?

MR. STEVENSON: That's a letter from G.R. Graham.

MR. SABEY: Of?

MR. STEVENSON: Canadian National, to the Honourable A.O. Aalborg.

MR. SABEY: Thank you.

Q MR. STEVENSON: Then the 60 cent figure was discussed much later?

A That is right.

Q In connection with the second contract, or the proposed second contract. And did the Board make some investigation, any

2-GR-10

J. Currie - Stevenson Ex.

Q (Continued) economic investigation, of this figure, the 60 cent figure?

A No, they didn't.

Q And there is a letter from Mr. Spicer, then vice-president of Canadian National, a vice-president of Canadian National Railways, dated December 9th, 1970, to the Honourable A.O. Aalborg, in which the rate of 60 cents is proposed.

A That's the one that was brought before our Board for discussion.

Q And on December 16th, 1970, Mr. Aalborg, on behalf of the corporation and the Government, indicated that the rate of 60 cents per short ton would be accepted?

A That's right.

Q And at that time there was also some correspondence with the Canadian National with a view to having it make other contributions to the Alberta Resources Railway?

A Yes, that's right.

Q Did the Alberta Resources Railway Corporation have any information of a cost nature to indicate what the Canadian National's costs were in moving the coal?

A I believe there was some correspondence that I have seen latterly, showing the actual amount of tonnage payments they were getting for the coal and showing the proportion that the CNR were taking as their cost of moving the coal and in arriving at the amount that was made available to the Alberta Resources Railway Corporation out of that.

2-GR-11

J. Currie - Stevenson Ex.

Q That was after the decision was made?

A That was after the decision was made.

Q And fairly recently?

A No, it was actually taken up by some of the directors of the corporation with the CNR and I think it was around the time that we were discussing the 60 cent a ton.

Q Does the Alberta Resources Railway have any staff available to make those kind of economic decisions?

A No, they haven't.

Q Was the Board of the corporation and the corporation when you were present aware of any anxiety to ensure that the coal contracts could be carried out by the CNR?

A There was some discussion early on about getting the railroad to the mining site as quickly as possible.

Q I take it that the Alberta Resources Railway actually let the contracts for the construction of the railway?

A That is correct.

Q And that was done in consultation with Canadian National?

A Canadian National prepared the tenders and then my staff did the closing of the tenders and the awarding of the contracts.

Q Mr. Currie, I have the minutes of the corporation for June 20th, 1966, and there was a decision made at that meeting. Could you read that decision please.

A Yes.

"It was decided that the Department of Highways be asked for an estimate of the cost to construct a road from Muskeg on the forestry road to the

2-GR-12

J. Currie - Stevenson Ex.

A (Continued)

proposed townsite with a standard sufficient to carry the construction equipment. It was proposed that the cost of the construction be borne by McIntyre Porcupine Mines Ltd. and the C.N.R."

2-JH-1

J. Currie - Stevenson Ex.

Q And that was June 20th, 1966?

A That is correct.

Q And was the Canadian National at that time concerned about getting its equipment in as well as McIntyre Porcupine being concerned about getting their equipment in?

A Yes, they were, because the road hadn't been completed, because it was mainly a trail from Muskeg into the town site, and they wanted to get the heavy equipment moved in so they could start their preparatory mining operation before -- the government were certainly prepared, you know, to put in a road.

Q And was the government -- and was there an indication that the government was prepared to take whatever steps that were necessary to provide the highway facilities?

A There wasn't to be any special effort, it was to be constructed on the regular basis, you know, when the government -- when the road program had the funds to make the construction. In other words it wasn't to be any special effort, you know, to put the road in, and that is why the McIntyre Porcupine came and asked if they could assist in getting the road in, to get their equipment put through.

Q Was the main rental on the Alberta Resources Railway derived from the coal haulage during the time that you were responsible?

A Yes, it was the majority of the rental received, was for coal haulage. There was some for moving equipment in as the railroad was constructed, very little money.

Q And any others?

A Well, there wasn't to be any from the great haulage of grain,

J. Currie - Stevenson Ex.

A (continued) so there wasn't any funds from that, but there would be other things moved into various areas along the route, including that for the sulphur extraction plant that was being constructed in Gold Creek.

Q So that the coal revenue was the primary source of revenue --

A It would have been the primary source of revenue.

Q And during the time that you were secretary of the Board it was anticipated as being the primary source of revenue?

A Yes.

Q And the letter that I referred to earlier where the 60 cent rate was mentioned, the Minutes actually record that as being discussed on December 14th, 1970; would you like to read the resolution that was reached at that time?

A "The Board of Directors agreed that the coal contracts were essential for the operation of the Resources Railway, and that if a new contract could not be concluded at a higher tonnage rental the corporation would have to accept the rate of 60 cents a short ton. The Board also agreed that a letter should be forwarded to the President of the Canadian National Railway pointing out the fact that the Alberta Resources Railway was financed by the Government of Alberta at the request of the Canadian National Railway, and that the Canadian National should give consideration to making up the annual accumulated deficiency."

Q So it was clear that the Board considered the coal contract essential to the railway?

A Yes.

2-JH-3

J. Currie - Stevenson Ex.
- Sabey Ex.

Q I take it that the Board never had any part at all in McIntyre Porcupine's negotiations with the Canadian National?

A That is correct.

Q And took no part at all in McIntyre's negotiations with the Japanese purchasers whose rates were of concern in fixing these rental rates for the railway?

A That is correct.

Q And the information that you obtained in every case would come from the Canadian National?

A That is correct.

MR. STEVENSON: Those are all of the questions I have.

MR. CRUMP: Thank you. Mr. Sabey.

MR. SABEY EXAMINES THE WITNESS:

Q Mr. Currie, you have established that the main rentals on the ARR is from the coal haulage?

A That is correct.

Q But that coal haulage uses about one-half or less of the total trackage?

A That's right.

Q So that the coal is paying for the track that goes clear up to Grande Prairie although it only uses half of the line?

A That is correct.

Q Sir, I would like to get the chronology straight in my own mind, in general terms, if we can, on a specific; first of all, I think you told us that the ARR was incorporated in June of '65, or immediately prior to that?

A That is correct.

2-JH-4

J. Currie - Sabey Ex.

Q And when was the agreement made with the CNR?

A My recollection is that the first agreement was October of 1965.

Q And would that be the first major step after the ARR was incorporated?

A That is correct, and that was for the first phase of contruction, which took the railway from Solomon to the coal fields.

Q Is that Brule - Solomon - Brule - is that --

A That's right.

Q The same area?

A Yes.

Q Mr. Currie, the speech of Premier Manning in the Legislature was in February of '65, some four months before the ARR was incorporated; so we have that, and we have the incorporation in June of '65, and then the agreement with the CNR in October '65?

A That's right.

Q And when did the rates, when were the rates on that line established?

A They were established in the first contract.

Q And that is in October '65?

A October '65.

Q And that was on an if-and-when basis?

A I am not sure I understand you.

Q Well, if certain products were to be hauled, it was agreed that these would be the charges?

A That is correct, yes.

Q But at that time it wasn't known for sure what products would

2-JH-5

J. Currie - Sabey Ex.

Q (continued) be involved?

A Well, I think the understanding was that the coal would be the main product; the line was being constructed to the coal field initially.

Q But, sir, in point of fact the first contract between McIntyre Porcupine and the Japanese came some two years after the first agreement with the CNR?

A That is right.

Q And then when did you let the construction contracts? I presume that would be next after the October '65 contract?

A After the signing of the agreement, various contracts were tendered and released on a progressive basis.

Q And to whom were they let, by the ARR?

A To whoever the low bidder was on the contract.

Q Well, did the ARR build the railway or did the CNR built it?

A The CNR were responsible for construction of the railway.

Q And so was that the subject of the second contract, or was that covered in the first contract?

A No, it was covered in the first contract.

Q So the October '65 contract covered rates and also construction?

A Yes.

Q And it also -- I presume rates were predicated on an attempt to have a return on your investment and a return of capital?

A Yes.

Q So was there more than one contract between the CNR and the ARR?

A There was actually three.

2-JH-6

J. Currie - Sabey Ex.

Q All right. Just tell me what they were?

A Well, the second one was for the second phase, and the third one would have been for the third phase.

Q Of construction?

A Of construction.

Q So the first contract only covered from Brule to Smoky River?

A That is my recollection.

Q But at the same time, Mr. Currie, you were always clear that the other phases were coming?

A It was announced in Mr. Manning's speech in the House that the railway would be constructed to the Grande Prairie region.

Q And that was in February '65?

A Yes.

Q Okay. Now, in point of fact the freight rates were established in the spring of 1966, did you say?

A They were in the contract in October of 1965.

Q But you don't know when they were established as between the CN and McIntyre Porcupine for coal?

A Other than that they did appear in a letter that Mr. Gordon, Donald Gordon wrote to the Premier.

Q And when would that be?

A That would have been -- it would have been prior to the announcement of the construction of the railway.

Q Now, sir, I want to be clear on one other thing; you're talking about the freight rates that were established in the October '65 contract?

A Yes.

2-JH-7

J. Currie - Sabey Ex.

Q You are talking about the rates payable by the CNR to the ARR?

A The tonnage rental.

Q You are not talking about what the CNR might charge the customer?

A That is correct.

Q That was up to the CNR?

A That was up to the CNR.

Q And you are then talking about a \$1.40 per ton for coal?

A Right.

Q And, sir, that was on the basis that you people anticipated a 20-year pay-back on that basis, with a projected tonnage, that would give you a return on your investment and a return of the investment itself?

A Based on the \$33 million that the railway was originally supposed to cost, yes.

Q And that, I want to clarify that one point, too, while you mention it; the original estimate of 33 million was not for the same railway that ultimately cost almost 100 million, that was only from Brule to Smoky River?

A No, I think if you saw that letter it would talk about building the complete line.

Q I think I saw that letter, and that is the way I read it.

A I brought one.

Q Do you have one?

A May I get it, please?

Q Yes.

(Witness leaves Stand and returns with a document.)

J. Currie - Sabey Ex.

Q MR. SABEY: Go ahead --

A Do you want me to read this?

Q MR. SABEY: Was this filed, Mr. Stevenson?

MR. STEVENSON: Yes, it is part of Exhibit 32.

Q MR. SABEY: You are referring to a document which is part of Exhibit 32; a memorandum is it, sir?

A It is a confidential memorandum.

Q And from whom to whom?

A It was from Mr. Gordon -- my understanding was that it was from Mr. Gordon, and was dated the 25th of January, 1965.

Q And is that Mr. Gordon of the CNR?

A Donald Gordon, yes.

Q And to Mr. Manning, the Premier?

A That was my understanding.

Q And that indicates a \$33 million estimate for the entire line?

A That is correct.

Q Thank you very much. Now, sir, the \$1.40 per ton then was the -- was your calculation or was that the CN's calculation, returning that capital and a return on that investment?

A That was the CNR's, and it appeared in the back of this document.

Q I see. And did you people accept that or did you check it out, or have any independent studies on those figures, either as to cost or as to return of and on investment?

A Certainly the Alberta Resources Railway Corporation Board did not investigate it.

Q You accepted those?

2-JH-9

J. Currie - Sabey Ex.

A It was determined before the Board was set up.

Q By whom?

A Presumably by the government.

Q I am a little disorganized, Mr. Currie, you will have to just bear with me. I just want to then be clear on this point, there was never, to your knowledge, there was never negotiations between McIntyre Porcupine and the ARR as to this railway?

A No.

Q Your negotiations were always with the CNR?

A That's right.

Q And the CNR's negotiations were then with whomever, including McIntyre Porcupine?

A That is right.

Q Now, sir, in the determination of what was to be built, that is what size of rail, and I gather there are different weights of rail -- is that a correct way to express it? Sizes or quality -- perhaps the Chairman can help me, I am floundering here --

MR. CRUMP: Normally it is rated in weight per yard.

Q MR. SABEY: Yes. Was there any discussion between the CN and ARR as to the weight per yard of this trackage?

A Yes, there was. At one point the CNR engineers came and advised the Board that they should put in heavier rail than was put into the GSL, Great Slave Lake system.

Q Heavier than was --

A Yes, because they found that with the tonnage on the Slave Lake

2-JH-10

J. Currie - Sabey Ex.

A (continued) Railway were wearing the rails down, and they said that, particularly with the coal fields, with that number of units taking coal out, that the rails would not last too long if they had put in the lighter weight steel.

Q The CNR came to --

A To the Board.

Q -- to the Board?

A Yes.

Q Did the Board accept it?

A The Board accepted it.

Q Did the Board check it, investigate it?

A No.

Q I see. And in point of fact the Board put in that heavier rail all the way to Grande Prairie, the same rail all the way?

A I think that is true.

Q And that was the decision of the Board?

A On a recommendation from the CNR.

Q But the CNR's recommendation was only to Smoky River, because of the coal haulage from Smoky River south?

A Well, I am not certain about that.

Q Sir, that is a question, I am not suggesting that to you, that is the way I understood your evidence, and do I understand it correctly?

A Well, initially, the point of fact is that the discussion on heavier steel came up in a discussion on the first phase --

Q Yes.

A -- and I don't think that it was ever discussed again after that

2-JH-11

J. Currie - Sabey Ex.

A (continued) as to what should continue on from the coal field.

Q So the hundred pound -- and that is what it was, was it, 100 pound rail?

A I think something like that.

Q That was put in all the way?

A I really don't know.

Q And was there any other discussion between the ARR and the CNR as to construction?

A No, things just seemed to progress as the line went along --

Q I gather that the CNR were the engineers, the builders and the operators?

A Yes.

Q The government, the ARR, was really the financier?

A The financier, yes.

Q And did the ARR take any role in the selection of the route?

A None whatever.

Q And who determined the route?

A The CNR engineers.

Q There were no discussions about the route with the Board and the CNR, to the best of your knowledge?

A No, I can't remember having any discussions, they may have come in and told the Board that they were going a certain route -- and, of course, this was also an attachment -- the route itself was also an attachment to each agreement.

Q Yes. Had you ever heard anyone suggest that this was the only feasible route?

A No, I hadn't.

2-JH-12

J. Currie - Sabey Ex.

Q Sir, are you aware of whether McIntyre Porcupine played any part in the selection of the route or the decisions regarding construction of the railway?

A I wasn't aware of it.

Q Would you have been had they?

A If it was brought before the Board of the Alberta Resources Railway Corporation Board I would have.

Q Sir, in addition to revenues from coal you have mentioned one or two other matters; the gas processing plant at Gold Creek?

A Yes.

Q Logging; there was some anticipation of revenue at Miles 150 and 160, I believe?

A There was some discussion, it could be.

Q And also the projected pulp mill at Grande Prairie?

A Yes.

Q Which had its timber limits within the region serviced by the ARR?

A That's right.

Q And agricultural products -- although they were not to generate revenue?

A The shipments of grain would not generate any revenue to the railway.

Q That was a service to the people in Central Alberta?

A It was under the freight rate convention they had in Alberta.

Q I don't understand those --

A I don't understand them either, but they called it the Crowsnest Convention, whatever that is.

2-JH-13

J. Currie - Sabey Ex.

Q You left the railway in the fall of 1970, sir?

A Yes.

Q You left the Board?

A Yes.

Q Now, sir, I take it from this letter that you quote, that the CNR wrote to the ARR at the time of the second rate adjustment upwards from 50 to 60 cents, and told your Board that if McIntyre Porcupine got the second contract, that is the sale to the Japanese, the maximum that the ARR could get was 60 cents per ton?

A Yes.

Q And that is the way you phrased it, sir, I believe?

A That's right.

Q Now, sir, I presume that would mean that unless the CNR took less; presumably if they took less the ARR could get more?

A This is correct.

2-SS-1

J. Currie - Sabey Ex.

Q Did the Board ever try to negotiate a higher price with the C.N.R.?

A Well, we had some discussions with the C.N.R. at that time and we wondered why the amount of money that they were getting in freight rates couldn't be divvied up ---

Q --- yes, what was their response?

A We never did get a satisfactory answer from them.

Q From the C.N.R.?

A From the C.N.R.

Q But you, nonetheless, accepted their, their division of the rates?

A Well, they said their costs were higher because freight rates had increased and everything. We felt that a proportion of the freight rate that they had proposed to take initially in comparison with the proportion that they gave to us hadn't been, hadn't been, well certainly when they couldn't get the \$1.40 a ton, that they took a bigger bite of what was there than what the corporation was allowed to have. We were going down to fifty cents a ton but their drop wasn't in proportion to that.

Q That was my next question, Mr. Currie.

A Right.

Q The reduced rental was not shared proportionately?

A Equally, that is right ---

Q --- not equally, proportionately even, I am not suggesting it should have been, even equally, but it wasn't even shared proportionately between the C.N.R. and the A.R.R.?

2-SS-2

J. Currie - Sabey Ex.

A That is right.

Q In point of fact, almost all of the reduction was absorbed by the A.R.R.?

A That is right.

Q And that was a matter of negotiation between the A.R.R. and the C.N.R.?

A Between the Government and the C.N.R.

Q All right sir, between the Government and the C.N.R.?

A That is right.

Q Now sir, in the C.N.R. establishing its costs or its share of the rental, was there any investigation made by the A.R.R. as to the accuracy of those figures?

A The Alberta Resources Railway were of course not aware of the initial change in the freight rates.

Q Yes sir, I understand that.

A When we eventually got to the point where we did find out because of receiving the money on a much lower basis and then when the letter came in asking for the change to sixty cents a ton.

Q Yes?

A That was when the Board were aware of the fact and they took a look at it.

Q Yes sir.

A And suggested that we weren't getting our fair share of the tonnage freight rates that were being received by the C.N.R.

Q And you didn't ever get any response?

A Well ---

2-SS-3

J. Currie - Sabey Ex.

Q --- from the C.N.R.?

A We had a meeting with the C.N.R. official and they suggested it was because their costs had gone up, labour costs and everything else had gone up, therefore it was difficult for them to provide any more than that sixty cents per ton.

Q So they recouped their increased labour costs or their increased costs?

A Certainly they took a large proportion of the funds that were available.

Q And sir, the C.N. would then come to the A.R.R. with this proposal as to the division of the rental after the C.N. had negotiated a rental or a rate with McIntyre Porcupine?

A No, I think that they actually came, their letter came to us prior to them telling McIntyre Porcupine that the sixty cents a ton was satisfactory to the corporation.

Q To what corporation?

A To the Alberta Resources Railway Corporation.

Q I want to be clear. C.N., in negotiating with McIntyre Porcupine would first say this figure, total figure, including their share and your share is acceptable to the C.N. and to the A.R.R., to the corporation?

A They came to the corporation with a letter suggesting that this was the rate that we would have to accept if McIntyre were to be successful in getting the second contract.

Q I see.

A And then when our Board had the meeting and said well, if this is the most we can get, we do need more pull on the line to try

2-SS-4

J. Currie - Sabey Ex.

A (continued) and pay the costs of it, we will accept the sixty cents a ton, and the C.N.R. were notified of that.

Q And then presumably ---

A --- and then presumably notified McIntyre that the corporation would accept the sixty cents a ton.

Q All right sir, but back to my original question then, did the corporation, that is the Board of A.R.R. ever investigate the costs claimed by C.N. as their share?

A No, not to my knowledge.

Q Sir, did the C.N. upgrade its entire line from Brule to the Coast in anticipation of this, of these hundred car trains full of coal?

A I really couldn't say for sure. I remember the C.N.R. saying that they were increasing their trackage along the line at points.

Q To accommodate this growth?

A Yes.

Q Presumably sir that upgrading would have been a part of their cost figure, wouldn't it?

MR. CRUMP: Mr. Sabey, since you are on a new line of questioning, I think this would be an appropriate time for a short intermission?

MR. SABEY: Thank you, Mr. Chairman.

(The Hearing adjourned at 11:05 A.M.
and resumed at 11:20 A.M.)

MR. CRUMP: Mr. Sabey?

MR. SABEY: Thank you, Mr. Chairman.

Q MR. SABEY: Mr. Currie, I think I had just asked

2-SS-5

J. Currie - Sabey Ex.

Q (continued) you if the cost justification put to you by the C.N.R. included not only their increased labour costs but also their cost of upgrading the rest of their line to Vancouver?

A I wasn't aware of that.

Q I see. Now sir, I just want to get this sequence then, in October of '65, the A.R.R. made an agreement with the C.N.R. setting the rental to be paid by the C.N.R. to the A.R.R. for the use of this railway and that rental was to be \$1.40 per ton for coal?

A That is correct.

Q However, the C.N.R. did not pay that to the A.R.R., the first you learned was when you received a cheque, the equivalent of fifty cents per ton?

A That is correct.

Q For rental. You inquired as to why and were told what again sir?

A That there had been a letter from the Government stating that they would accept fifty cents a ton.

Q And you know nothing of the negotiations between the C.N.R. and the Government which led to that?

A None whatever..

Q And then the next of which you are aware was the second rate change, which was an increase, at which time the C.N. had determined what they could get from McIntyre Porcupine based on this presumed second Japanese contract, and the C.N. then advised you of that price and what your share of that rental

2-SS-6

J. Currie - Sabey Ex.

Q (continued) would be?

A That is right.

Q And at that time, the C.N. advised you they still couldn't pay you the \$1.40 per ton, and indeed could only increase your share of the rental to sixty cents per ton?

A That is correct.

Q And the reason they gave was because of their increases costs, that is the C.N.'s increased costs?

A Additional costs, yes.

Q And the A.R.R. accepted the C.N. figures without any independent analysis or investigation?

A That is correct.

Q And sir, there were no negotiations between McIntyre Porcupine and the Alberta Resources Railway of which you are aware?

A None whatever.

Q And sir, were there any guarantees or assurances or undertakings given by McIntyre to the Alberta Resources Railway relative to the establishment of services to Smoky River of which you may be aware?

A There was some discussion between McIntyre Porcupine and the Alberta Resources Railway Corporation as to the share of improving the road from Muskeg to the mine site.

Q That is the road bed for the railway?

A No, no, no, the road for hauling equipment over, prior to the railroad being built into the area.

Q That is the truck road?

A That was the truck road or the trail actually.

2-SS-7

J. Currie - Sabey Ex.

Q And McIntyre Porcupine did offer to participate in that cost?

A At that time, yes.

Q And that was not the normal situation, normally the Government would provide that at cost, at their own cost, pardon me?

A I don't think the Government were prepared to do anything at that particular point in time, that is the Department of Highways wasn't prepared to do anything at that time, that is why McIntyre Porcupine and the C.N.R. agreed to take a look at sharing the costs of putting the road in so that both the equipment for the construction of the railroad and the equipment for the coal field could be moved in ahead of schedule.

Q Sir, on the rail line itself as distinct from the road, were there any other guarantees or discussions of which you are aware between McIntyre Porcupine and the Alberta Resources Railway?

A None whatever.

3-Gr-1

J. Currie - Sabey Ex.
- Ingle Ex.

Q Sir, did the Alberta Resources Railway consult with McIntyre Porcupine before announcing its contract with the CNR?

A Not that I'm aware of.

Q Or before announcing the contract to build?

A Not that I'm aware of.

Q Or to extend the services?

A None, not that I'm aware of.

MR. SABEY: Thank you very much, Mr. Currie.

MR. CRUMP: Mr. Ingle, have you any questions?

MR. INGLE: Yes, Mr. Chairman.

MR. INGLE EXAMINES THE WITNESS:

Q Mr. Currie, I wonder, I'm not too clear on the sequence of events. You indicated that the first contracts were let, they were let, rather, for construction after the agreement had been signed between the ARR and CNR in October 1965.

A That is correct.

Q And construction would have commenced in?

A I would think possibly December. I think it took that long before they were, the first contract could be tendered and then awarded.

Q That's December of '65?

A I would think that was the date, somewhere in there.

Q Yes. And that's for construction of Phase 1?

A For the first 30 miles of Phase 1.

Q First 30 miles of Phase 1. And then the contracts for the next section of the road would have been let when?

A I really don't recollect. That would be several months later,--

3-GR-2

J. Currie - Ingle Ex.

Q I see.

A -- because of the progressive tendering. As the first section was completed or at least was under construction the second one was started.

Q Would it have been early in '66, would you --

A I would think it would be early in '66.

Q Yes. What about Phase 2, when were the contracts let for the first construction on Phase 2?

A I really can't recollect. It would be in the minutes of the corporation, when they were approved, by the Board. But certainly in the second agreement, which really was an extension of the first agreement, --

Q Yes?

A -- to include the Phase 2, the tenders wouldn't have been let before it had been completed. That's before the second agreement had been completed.

Q You can't help the Commission on dates?

A Well, it's in the minutes that are --

Q Or approximate dates?

A No, I really can't.

Q All right. Okay. It would be sometime after early '66?

A It could be. It could be in '66, yes.

Q Yes. All right. In the speech to which you have referred of the then Premier, Manning, to the legislature, in February 1965, in which he announced the proposal to construct the ARR, he referred to some studies which had been made as to the feasibility of the line. Do you know anything about such

J. Currie - Ingle Ex.

Q (Continued) studies, have you seen them?

A No, I haven't seen them.

Q Do you know of them?

A No, I don't.

Q I see. Mr. Sabey has asked you about certain commitments and guarantees. Were there any commitments or guarantees, to your knowledge, from McIntyre Porcupine about the volume of traffic to be carried on the ARR?

A Not to my knowledge, there was no guarantee.

Q Are you saying that there were none or you just weren't aware of them?

A I'm not aware of any.

Q I see. The initial costs of constructing Phase 1 of the railway you indicated, as I understand it, were in the neighbourhood of some \$33 million.

A No, that was the total cost of constructing the total line.

Q The total line?

A Yes.

Q All the way from the main CNR line to Grande Prairie?

A Right.

Q And subsequently that cost was revised upwards to some \$95 million, as I understand it.

A That is correct.

Q Do you know when that revision to \$95 million was made?

A I would say it was probably in '66 sometime.

Q Sometime in '66.

A Yes. Certainly after the completion of the first agreement.

J. Currie - Ingle Ex.

Q Yes. And I understand now that the total capital cost of the railroad is something like \$133 million. Would you be able to confirm that?

A That is adding on the costs of the interest on the debt.

Q I see.

A It would be that much money, yes.

Q Now, in the contract between the, it would be between the ARR and the CNR for the construction of the road or was it between the Government and the CNR?

A It was between the Alberta Resources Railway Corporation and the CNR.

Q I see. I understand that under that contract the administration, supervision and direction of all construction contracts were in the hands of the CNR?

A That is correct.

Q Without limitation?

A Correct.

Q And that the CNR were given irrevocable credit at the Treasury Branches of the Alberta Government to draw cheques for expenditures for construction of the railway.

A That is correct.

Q I'm not sure that I know what the meaning of the term irrevocable credit is. Can you help us on that, Mr. Currie?

A Well, my understanding of it is that the Government would have to provide funds at the Treasury Branches and would not be able to revoke that provision of funds.

3-GR-5

J. Currie - Ingle Ex.

Q I see. Was any limitation on the drawings to be made on the Treasury Branches?

A It was to be based on the CNR's expenditures, supported by documentation to show that they had spent that money on the Alberta Resources Railway.

Q That documentation was to be provided to whom?

A The Government auditing staff went up and periodically audited the documentation in the CNR's own building.

Q I see. So that the Government then did carry on an audit from time to time of construction costs incurred by the CNR?

A I'm not certain if it was chartered accountants that went up but certainly, well, staff from the Provincial Auditor's office went up and checked invoices and that kind of thing, against the charges that had been made in the Treasury Branches, to verify the figures.

Q Now, you have given evidence, Mr. Currie, about the agreement between the Government and the CNR, particularly between Mr. Graham and Mr. Aalborg of March 1966, in which the freight rates for the carrying of coal were to be reduced from a dollar fifty to 50 cents a ton. I'm going to ask you to try to search your memory on this. That letter from Mr. Graham to Mr. Aalborg, as I understand, is dated March the 2nd, 1966. Would that have been before the commencement of the construction of Phase 2 of the railway?

A I think it probably would be. I wouldn't be certain though. I'd have to see the minutes.

Q And do you know whether the escalation of costs from the

3-GR-6

J. Currie - Ingle Ex.

Q (Continued) estimated \$33 million to \$95 million occurred before that date?

A I can't recollect whether it had or not.

Q I see. I'm informed, Mr. Currie, that in a letter dated February the 5th, 1965, by Mr. Donald Gordon to then Premier Manning, that an undertaking was given on behalf of the CNR that the Government could wind up the whole railway project if it didn't go as anticipated. Are you aware of such a commitment?

A No, I'm not.

Q I see. It's not incorporated in the agreement?

A Not to my knowledge.

Q When the ARR learned that the capital costs for the railway had nearly tripled and that the freight rates for the chief commodity to be carried had been cut by roughly a third, did any discussions take place as to not proceeding with Phase 2?

A By the time that the corporation found out that there had been a reduction in freight rates the second phase was well under way, because the date that we first had an indication of the reduction was in December of 1967, when we got the first tonnage rental from the Canadian National at the reduced rate.

Q The first indication of a reduction from a dollar forty to 50 cents?

A That's the first time that I was aware of it.

Q I see. That's the first time you were aware of it. Now, I can inform you, Mr. Currie, that a letter was tabled in the

3-GR-7

J. Currie - Ingle Ex.

Q (Continued) legislature dated March the 2nd, 1966, from Mr. Graham to Mr. Aalborg, confirming an agreement to reduce the freight rates from a dollar forty to 50 cents. But you weren't aware of it?

A I wasn't aware of it.

Q You didn't become aware of it for more than a year later.

A That is right.

Q One further matter, Mr. Currie. We have been discussing the rates to be charged for the carrying of coal, and you have referred to other commodities. Were any rates established, so far as you were aware, any agreement between the CNR and the ARR or between the Government and the CNR for the carrying of any commodities other than coal?

A Well, provision was made in the agreement for the tonnage rental to be paid for other commodities other than coal.

Q Were rates fixed?

A Yes, they were. \$3 a ton.

Q I see. For all other commodities?

A Except grain.

MR. INGLE: Except grain. All right. Thank you very much.

MR. CRUMP: Mr. Graham, have you any questions?

MR. GRAHAM: No, I have none.

MR. CRUMP: Mr. Patching?

MR. PATCHING: Just this.

3-GR-8

J. Currie - Patching Ex.
- Crump Ex.

MR. PATCHING EXAMINES THE WITNESS:

Q Was any provision made for trying to recover the reduction in revenues at some later stage?

A There was some correspondence with the CNR at a later date, asking them to make up the deficiencies in the account, the cost of reduction in freight rates.

Q This was just a request, there was no provision made in any agreements?

A No, there's no provision in the agreements for it.

Q And of the revenues that the Board received from the railway were there any current expenses to be covered or was this revenue just to go against the capital costs?

A It had to be applied against the capital costs.

MR. PATCHING: Fine. Thank you.

MR. CRUMP EXAMINES THE WITNESS:

Q Mr. Currie, I just have a, would like to fix firmly in our minds some dates here, in which both Mr. Sabey and Mr. Ingle touched, and these are the estimates on the cost of the railway.

A Right.

Q And the original cost is given as \$33 million. That was before any survey was made. In early 1965 Canadian National revised the total estimated cost upwards to \$40 million. And then in a letter from Mr. MacMillan of the Canadian National to Mr. Aalborg, dated March the 19th, 1971, he states under subsection (II):

"The estimate I referred to in (I) "

- and these are the estimates that I have just given --

3-GR-9

J. Currie - Crump Ex.

Q (Continued) In fact, perhaps I should read in for the record item (I), it's very short:

"It is a fact that the cost of the railway was underestimated in the early stage of discussions, but it has to be acknowledged that it was a preliminary estimate only, no ground location survey had been made."

But item (II):

"The estimate I referred to in (I) was in 1965. However, on July 28, 1966, before any appreciable proportion of the final cost had been spent, Mr. Graham advised you -"

- this is the letter to Mr. Aalborg -

"quite accurately by letter of the probable completed costs of Phases I and II based upon surveys and experience to that date."

This was in 1966.

"The estimates given were forty-one million dollars for Phase I from Solomon to Smoky River, and fifty-four million for Phase II from Smoky River to Grande Prairie."

In other words a total of 95 million. And I perhaps should direct this question to a following witness, Mr. Currie, but have you any personal knowledge of why the decision was carried out in 1966 upon that notification, why Phase 2 was continued with immediately?

3-GR-10

J. Currie - Crump Ex.

J.O. Pitts - Stevenson Ex.

A I really couldn't say why it was done. I think it must have been a Government decision to continue.

MR. CRUMP: That's fine, thank you, I'll direct that to another witness. Mr. Stevenson, have you any re-examination?

MR. STEVENSON: No. No.

MR. CRUMP: Thank you very much, Mr. Currie, for coming. You may step down.

MR. STEVENSON: Thank you, Mr. Currie.

(Witness retires)

MR. STEVENSON: Mr. Pitts.

JAMES OREST PITTS, sworn, examined by Mr. Stevenson.

MR. STEVENSON: I would record the presence for the evidence of this witness of Mr. Irwin as counsel for the Canadian National Railway.

Q MR. STEVENSON: Mr. Pitts, I understand you are the Alberta area manager for the Canadian National Railways.

A That's right.

Q And you are responsible for its Alberta operations?

A That's correct.

Q And I understand also that you have been in this area, in Alberta area, for four and a half years?

A In Edmonton for four and a half years.

Q In the present position?

A Yes, right.

Q And I understand also that you had no involvement in the negotiations relating to the original plan for the Alberta Resources Railway?

3-GR-11

J.O. Pitts - Stevenson Ex.

A That's right.

Q And for the most part the persons responsible for those negotiations are no longer here or no longer with the CNR?

A That's right.

Q But you have attempted to establish from Canadian National's records here and in eastern Canada the matters relevant to our inquiry that we asked you about?

A Yes, I have.

Q Now, I take it, Mr. Pitts, that there were some negotiations or some discussions prior to the announcement of the Alberta Resources Railway, between the Canadian National and McIntyre Porcupine?

A That's what the records show, yes.

Q And those were, I take it, in terms of the Canadian National building a line to serve the Smoky River coal fields?

A Yes.

Q And I take it that those negotiations or those discussions were based on a guaranteed haulage over that line?

A Yes. I don't think they got down to final terms by any means but that would be the basis, yes.

Q That would be the basis of the discussion at that point?

A Yes.

Q Would that have been in 1964, as early as 1964?

A Yes, that's right.

Q And there was no conclusion, agreement arrived at, out of those negotiations?

A No.

3-GR-12

J.O. Pitts - Stevenson Ex.

Q Was there any sort of rough estimate or rough quotation given to McIntyre Porcupine at that time?

A On freight rates?

Q Yes.

A Yes, there was.

Q From the coal field to the Pacific Coast?

A Yes.

Q Approximately what was the area, range?

A \$5.50 per short ton.

Q And that would have been on the basis of a guaranteed haulage, is that right?

A With penalties for short fall.

Q And do you know approximately what tonnage term or what kind of tonnage was being moved at that point or discussed at that point?

A It appears that it was in the order of 1 to 1½ million tons.

Q And any length of term?

A I think 15 years was the period that was discussed at that time.

Q They would indicate that Mr. Godin of McIntyre Porcupine was the person involved in those discussions, --

A That's right.

Q -- or your records would indicate that?

A He was at that time Assistant General Manager of McIntyre.

Q Did these discussions carry on into 1965 or did they resume after the Alberta Resources Railway was announced?

A From the record it appears that they resumed after the --
I don't know at what stage the Government of Alberta comes into

3-GR-13

J.O. Pitts - Stevenson Ex.

A (Continued) the picture, but it appears that negotiations resumed after the throne speech and the railway was to be built by the Government.

Q The throne speech was in February of 1965?

A Yes. Yes.

Q Is there any record of the communications to the Government of the negotiations or discussions that had taken place earlier, between the company and McIntyre Porcupine, between Canadian National and McIntyre Porcupine?

A There's no record of that, at least none that I've been able to discover.

Q Now, at some point in 1965 was a figure given to McIntyre Porcupine for a contracted hauling of coal from the Smoky River coal field to the Pacific Coast, was a firm figure given to them?

A I'm not sure how firm it was, but the figure at that point came down to, I think around \$4.45 per short ton, sometime in 1965, as I read the record.

Q Late in 1965 it was agreed that the Alberta Resources Railway would be paid a dollar forty per ton.

A Yes.

Q For rental for coal haulage. Is that correct, Mr. Pitts?

A That's right.

Q And at that time was there a figure negotiated or concluded with McIntyre Porcupine for what they would pay?

A Yes. This \$4.45 figure that I mentioned was the rate that was understood at that time, as I --

3-GR-14

J.O. Pitts - Stevenson Ex.

Q And that was for a short ton to the Pacific Coast?

A That's right.

Q And out of that, \$1.40 would be paid to the Alberta Resources Railway?

A That's correct.

Q And the dollar forty figure is the one that ultimately ended up in the Alberta Resources Railway, Canadian National agreement?

A Yes.

Q Was there a contract actually signed with McIntyre Porcupine then or was this just a quotation that was given to them?

A This was just a quotation, there was no contract signed.

Q Was it predicated upon any particular length or volume of traffic?

A Yes.

Q What volume?

A 1½ million tons I believe it is.

Q For what period of time?

A For 15 years.

Q Then was there some discussion about reducing that rate, that took place in 1966?

A Yes.

Q In January of 1966?

A Yes. There were discussions in our headquarters office in Montreal, between McIntyre and CN.

Q And what representations, as far as you can determine, were made by McIntyre at that time?

3-GR-15

J.O. Pitts - Stevenson Ex.

A Well, it appears that McIntyre did not --

MR. SABEY: Mr. Chairman, I just want to be clear. This witness doesn't know any of this of his knowledge, --

MR. STEVENSON: That is correct.

MR. SABEY: -- he's reconstructing this from some documents that he's read.

MR. CRUMP: That's understood, that's understood, Mr. Sabey.

MR. SABEY: Thank you.

Q MR. STEVENSON: What information was apparently given to Canadian National at that time, according to your investigations?

A That McIntyre was not able to market the coal to Japan unless a rate in the order of \$3.13 per short ton could be established.

Q And did Canadian National make any effort to determine whether or not this suggestion was accurate, did they try to check it or make any attempt to check it?

A Yes. We have a mining engineer on our staff and he's familiar with mining costs, to some extent, and it was his information, based on knowledge that he has, that this is, this was probably true.

Q Was that to make the coal competitive with other similar coal?

A That's right, in Canada and other world sources.

Q And that would have been meetings early in 1966?

A Yes.

Q Can you tell us when they took place approximately?

A Looks like February and March. Well, it's not clear, it's not

3-GR-16

J.O. Pitts - Stevenson Ex.

A (Continued) clear just exactly when those meetings took place.

Q I'm showing you what is in fact page number 7 of Exhibit 32, or document number 7, Exhibit 32, which is a letter from Mr. Graham of the Canadian National to the Honourable A.O. Aalborg, it's dated March 2nd, 1966. Does that reflect the discussions that had taken place up to that point in early 1966?

A Yes.

Q In which Mr. Graham indicates that he had informed Mr. Patrick and Mr. Aalborg that the developers of the proposed Smoky River coal deposits have informed the Railway that the freight rates quoted up to this time did not enable them to market the Smoky River coal in Japan in competition with other sources.

A That's correct.

Q MR. STEVENSON: Further "during our discussion we stated that although some economies can be effected by the railway in unit train operation, these are insufficient to meet the request of the producer for rates of approximately 2.90 to 3.13 per short ton. Producers have, however, indicated an increased starting volume of 1.5 million tons, with the possibility of 2 million tons of volume annually", and that is what Mr. Graham obviously communicated to Mr. Aalborg?

A Yes.

Q And the information that McIntyre Porcupine gave to the Canadian National would have been through these meetings in Eastern Canada?

A Yes.

Q Relayed to Mr. Graham?

A Mr. Graham. Although there may have been some locally, I am not sure, we don't have any record of it.

Q Did the Canadian National have contact with McIntyre Porcupine locally?

A Yes.

Q With who?

A Mr. Price, primarily.

Q According to your information did McIntyre Porcupine give any information to your Toronto -- or your Montreal office as to their costs and the kind of return that they would expect to make on this reduced rate of 2.90 to 3.13?

A No, but they did indicate that the return would be marginal.

3-JH-2

J. O. Pitts - Stevenson Ex.

Q And that is in February -- January, February and March of 1966?

A That's right.

Q And the information is that -- that Canadian National had, is that the government agreed to that reduced rate?

A That is correct.

Q Was there some discussion at this point, or did there appear to be some discussion at this point that the project was in a developmental stage?

A These were developmental rates that were established to get the operation underway, and it was always the expectation that as time went on there would be further mine extensions in the area, and more volume would be available for shipment to Japan, or other markets.

Q And then was the actual 15-year contract between the Canadian National and McIntyre Porcupine executed?

A Well, this wasn't signed until April of 1970.

Q But was it on the 3.13 rate?

A Yes.

Q And predicated on 50 cents to the Alberta Resources Railway?

A That is correct.

Q And is that contract still in effect?

A Yes.

Q And I understand that there has in fact been some escalation in contract price as a result of negotiations with the Japanese buyers, is that right?

A Yes, there was some escalation provided in the agreement, but

3-JH-3

J. O. Pitts - Stevenson Ex.

A (continued) it was not adequate to cover our increased labour costs, and as a result both CN and CP approached the Japanese buyers of coal last year, and an increased escalation was negotiated at that time applicable to both railways.

Q And what is the present rate then under the contract, do you know that?

A Well, in shipper supply of cars, which is the rate that applies to McIntyre, it is \$3 and one and a half cents per short ton.

Q Now, McIntyre supplies the cars under its present agreement with Canadian National?

A That's right.

Q And can you tell me what difference that makes in the rates?

A Well, I guess I should say, what relates to the 3.13 rate is the present rate of 3.62: In other words the 3.13 rate was in the railway supplied cars, that was the original negotiated rate, and that has now escalated to 3.62. Now, it is 56 cents per short ton, that was allowed the shippers for supplying their own equipment.

Q And has that been the figure throughout?

A Yes.

Q And the 4.45 figure originally discussed was the railway supply cars?

A Yes.

Q And it would be 56 cents less with shipper supplied cars?

A Yes.

Q And in fact McIntyre Porcupine has supplied the cars under this contract?

J. O. Pitts - Stevenson Ex.

- A That's right.
- Q And what is the present rate then?
- A The present rate is \$3 and one and a half cents a short ton.
- Q And the shipper supplies the cars?
- A Yes.
- Q And that contract has penalty provisions for short haul?
- A Yes.
- Q Can you summarize those?
- A Yes, for all tonnage less than -- for all tonnage short of 1,915,000 tons per year McIntyre Porcupine pays the CN 64 cents per ton for the difference between the actual amounts shipped and 1,915,000 tons per year.
- Q Now, the Canadian National also negotiated with the ARR for the different rate than the \$1.40 for a second coal contract, is that correct?
- A That's right.
- Q And what was the origin of those discussions, was it an approach by McIntyre to the CNR?
- A That's right.
- Q And for what extent of haulage, what traffic?
- A It was increased volume, an additional 3 million tons a year.
- Q And at that time the Canadian National reported to the Alberta Resources Railway and proposed a rate of 60 cents per ton for this excess, is that correct?
- A Yes, I think these negotiations appear to have been going on at the same time. I think we were talking to the government and to McIntyre concurrently, and trying to bring together the

A (continued) two in order to establish a rate.

Q And where would the discussions with McIntyre have taken place?

A Primarily in Montreal.

Q Now, document 16 of Exhibit 32, part 16 of Exhibit 32 is a letter from Mr. Spicer, who was then a vice-president of Canadian National Railways, to Mr. Aalborg confirming discussions with respect to "McIntyre Porcupine for the second coal contract", that would be for the increased tonnage?

A Yes.

Q And further 3.3 million tons?

A That's right.

Q "This additional movement could start sometime during 1973". Now, in this letter Mr. Spicer says, "CN is convinced that pressing for a higher rate at this time would result in McIntyre being unable to compete, and as a result the traffic would not move. Our negotiations with McIntyre have been based on the rental payment to the Alberta Resources Railway Corporation of 60 cents per short ton." That is correct?

A That is correct.

Q And again, would these be, would this be information given to the railway by McIntyre, presumably in Montreal?

A Yes, I would -- I would think so.

Q And did the Canadian National attempt to determine whether or not the claim that McIntyre was making for the rate that it wanted was justified, having regard to its costs? Regarding McIntyre's costs, would CN have actually made some investigation?

J. O. Pitts - Stevenson Ex.

A Well, I think that the same sort of opinions would be sought as were given in the case of the first freight rate.

Q From your own technical staff?

A Yes.

Q And again, do your records indicate that this was predicated on the rates that would have to be earned in order to compete with other coal suppliers in Canada?

A Yes, and other parts of the world.

Q And the Alberta Resources Railway ultimately accepted that proposal?

A Yes.

Q Earlier this morning, Mr. Pitts, we heard some evidence with respect to increased costs in the construction of the Alberta Resources Railway, and in particular the relation to the heavier volume of traffic or type of traffic that was being used necessitating some change in the type of track and type of construction; do you have any knowledge of those circumstances?

A Just a peripheral knowledge.

Q Was there some need for a change in the type of construction of the rail lines that appeared at some point?

A Some change in route had resulted in an additional some 30 odd miles of longer rail line than was first contemplated. And was mentioned the weight of rail change from 85 to 100 pound, and I think at one time also it was expected that we would be using second-hand rail; that is part-worn rail from other parts of our main track system.

J. O. Pitts - Stevenson Ex.

Q And do you know what caused that -- what caused any change in those plans?

A Well, I think the unavailability of rails was one thing, for 85-pound rails, and with the 100 ton cars that were then planned to be used in this service, we would need a heavier track structure to carry them.

Q And that was in fact provided then when the railway was built?

A No, I don't think it was known at that time what type of equipment would be used when the first negotiations took place.

Q And would the change in the rails be a significant increase in costs? I know you don't have these figures available.

A Yes, it would be. If you used second-hand released rail it would be certainly much less than half the cost of new rolled rail.

Q And would the type of train that was to be used for carrying McIntyre's product be important in determining what that rail was to be?

A Type of equipment?

Q Yes.

A Yes.

Q And what was put in was adequate to carry the type of equipment that McIntyre wanted to use?

A It has proven to be, yes.

Q And was that put through the whole line?

A Yes.

MR. STEVENSON:

Those are the only questions I have.

MR. CRUMP:

Mr. Sabey.

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J. O. Pitts - Sabey Ex.

MR. SABEY EXAMINES THE WITNESS:

Q Let's try and clarify this; the CN suggested the use of second-hand 85-pound rails? That is where the suggestion originally came from?

A I didn't say it was suggested -- that this was what the original estimates were based on.

Q My suggestion to you is that originally it was the CN who had suggested the use of those rails in the original estimates. Does your research tell you enough to confirm that?

A This is the basis for the original estimate, that's right.

Q Yes. And the CN made that suggestion knowing what tonnage were contemplated by --

A Yes.

Q Because you had previously talked to McIntyre Porcupine about \$5.50 rates and \$4.45 rates?

A That's right.

Q But those rails were not used, the larger or heavier rails were used?

A That's right.

Q And does your investigation tell you who made that decision?

A No, it doesn't.

Q And you don't know whether it was the government or the CNR?

A No --

Q You don't know?

A I am quite confident it was the CNR.

Q But you don't know what considerations led to that?

A Well, it was obviously the type of equipment that was to be

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J. O. Pitts - Sabey Ex.

A (continued) used.

Q Well, do you know that that is the reason, sir?

A I don't know anything except -- I am basing this on my records.

Q But your records don't tell you the basis for that change?

A No.

Q It could have been Mr. Aalborg simply didn't want a lesser rate?

A I think it is rather doubtful.

Q Well, sir, I have talked to Mr. Aalborg.

A Well, perhaps you're right.

Q Thank you. The point is, your investigation doesn't tell you the reason for that change?

A It does not.

Q You mentioned the change in route; where was that, sir, do you recall?

A I think that was on the north end, from --

Q Is that the second river crossing?

A From Windy Andy northward, I am not sure --

Q North of Smoky River?

A That's right.

Q North of the coal producer?

A Yes.

Q There was no change on the route from there to Brule?

A That's right.

Q And indeed is this the only feasible route in the view of the CN?

A This was our opinion, yes.

J. O. Pitts - Sabey Ex.

Q And you recommended that route to the government?

A That's right.

Q Now, sir, I think you have very fairly said that your records did not indicate that this \$5.50 per ton or the 4.45 were firm figures or contract figures, that these were merely discussions?

A That's right.

Q Does your research indicate to you that McIntyre Porcupine had ever suggested any other rates other than those figures?

A No.

Q Do your records indicate that they had conducted an investigation which showed that \$3.50 per ton would give the CN some contribution to your fixed costs as well as pay those fixed costs?

A There is no indication of that in our records.

Q Your records don't indicate that. So if you had that it came from a discussion between some of the management in Montreal - or is it Toronto?

A Montreal.

Q -- Montreal and officers of McIntyre Porcupine, of which you have no personal knowledge?

A If we had what?

Q If you had that information, if the company had that information it would come from discussions, not from your files?

A That's right.

Q Thank you. I just wanted to clarify in my own mind, Mr. Pitts, one other thing; you say you had checked out this figure of \$3.30 per ton which McIntyre Porcupine had suggested --

J. O. Pitts - Sabey Ex.
- Ingle Ex.

A 3.13.

Q 3.13, I am sorry, and you had checked that out as being the rate necessary to make this coal competitive?

A That was our opinion.

Q Yes. And you had checked that out, you presume, twice --

A Yes.

Q -- both on the first occasion and the second occasion?

A Yes.

Q And you also indicated, sir, that McIntyre Porcupine had indicated to you that their return at this rate would be marginal?

A Very small or marginal.

Q Yes. Did you also check that out?

A Well, we had no way of checking, except, as I say, through the --

Q Through the same experts?

A Yes, who are our --

Q But you did through your own experts as best you could --

A Yes.

Q -- and your experts led you to accept that proposition as well?

A That's right.

MR. SABEY: Thank you very much, Mr. Pitts.

MR. CRUMP: Mr. Ingle?

MR. INGLE: Only a few questions, Mr. Chairman.

MR. INGLE EXAMINES THE WITNESS:

Q Mr. Pitts, does your search of your records indicate any caution that was issued by or on behalf of the CNR to the

Q (continued) government prior to the announcement of the building of the railway in respect to obtaining a traffic guarantee from McIntyre before the announcement was made?

A Yes, I think that our President did suggest to Mr. Manning that this should be done, that a guarantee should be obtained before the announcement was made.

Q Am I correct that that warning was given by Mr. Gordon to Mr. Manning in a letter of January 25th, 1965?

A I don't have that letter.

Q You don't have the letter here?

A No.

Q And can you elaborate a little bit on the warning and the reasons for the warning?

A Well, these rate negotiations were going on, and it was felt that the railway and the government would be in a better position if the announcement to construct the railway was delayed until after the rate negotiations had progressed further.

Q And that course was not followed?

A No.

Q And the announcement of the building of the railway made in February was made before there were any commitments of the kind that Mr. Gordon thought should be obtained?

A Yes, that's right.

Q If I may turn to another subject, Mr. Pitts, unit train operations; I am not aware of this, is the coal now being carried by unit train operation?

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J. O. Pitts - Ingle Ex.

A Yes, it is.

Q And has it been so carried since the operation started?

A Yes.

Q I see. And was the \$1.40 figure for a short ton, was that based on unit train operation?

A Well, they are not related really, because that was the rental to the ARR for the construction of the line, and of course the total rate certainly has to be calculated on the basis of the type of operation, but the \$1.40, I think, was established when --- well, I would say that the type of operation had been fixed at the time the \$1.40 was established, that's right, although they are not necessarily related.

Q The reason I am asking you, in the letter from your Mr. Graham to Mr. Aalborg of March 2nd, 1966, to which my learned friend referred earlier, there is a reference to possible reduction in the rates through unit train operation; I don't have his copy of the letter, but the copy that I have says this: "During our discussions -- " reference to a discussion between Mr. Graham and Mr. Aalborg and I believe Mr. Patrick -- " -- we stated that although some economies can be effected by the railways in unit train operation, these are insufficient to meet the request of the producer for rates of approximately 2.90 to 3.13 for short ton". Evidentially in Mr. Graham's mind some reduction in the rate would be effected through unit train operation?

A Yes, that was reduction in our railway costs, and those were taken when the rate was brought down to the 3.13 level.

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J. O. Pitts - Ingle Ex.
- Patching Ex.

Q All right, I see.

MR. INGLE: Thank you, very much.

MR. CRUMP: Mr. Irwin, have you any points you
would like to bring out with the witness?

MR. IRWIN: No, I don't, Mr. Chairman.

MR. CRUMP: Have you any questions?

MR. PATCHING EXAMINES THE WITNESS:

Q Just one question. Did the mining company make a request for rates at an output of less than one million and a half a year, was there any pressure to handle coal at a rate lower than a million and a half per year?

A I think on the original -- just bear with me a minute -- when we had brought the rate level down to \$4.45 a short ton it was on the basis of a guarantee of a million short tons per year over a 15-year period.

Q Of a million --

A One million -- that would be a guarantee of a million tons a year over a 15-year period.

Q To get the rates still lower did they have to guarantee a larger tonnage?

A No, they didn't, as it turned out.

Q So one million tons a year was all that was required by the railway?

A We are talking about this \$4.45 rate now.

Q Well, subsequent to that did they have to guarantee a larger tonnage in order to get the rate brought down below the 4.45?

J. O. Pitts - Patching Ex.
- Stevenson Re-Ex.

A Well, as I mentioned, the short haul, the penalties now on the existing contract are based on a minimum annual volume of 1,915,000 tons a year, so the basis was certainly changed.

Q So to get the lower rate they had to guarantee the larger tonnage?

A Well, that wasn't the only consideration, but that was probably one of them.

MR. PATCHING: Thank you.

MR. CRUMP: Mr. Stevenson, have you any re-examination?

MR. STEVENSON: I just thought that I should clear up two points with Mr. Pitts.

MR. STEVENSON RE-EXAMINES THE WITNESS:

Q In Exhibit 32 here, document 13, there is a memorandum from Mr. Graham to Mr. McMillan, in which he discussed the question that Mr. Sabey raised about using the different track material. It is dated April 9th, 1968, and at page 4 of the letter, which is Item 13.4 of the Exhibit, he makes a comment; would you care to read that to us, Mr. Pitts?

A Yes. "Also it was essential that new 100-pound track material be purchased instead of using partly-worn lighter weight track material."

Q He said it was essential; what would create that essential need?

A I think the heavier equipment that was to be used on the line, and the unavailability likely of the 85-pound part-worn rail.

Q And in Item 29.6 of that material, Exhibit 32, there is a

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J. O. Pitts - Stevenson Re-Ex.

Q (continued) transcript of a discussion with Mr. Graham and the Directors of the Alberta Resources Railway, and at page 6, and this I can tell you is Mr. Graham speaking, he refers again to the subject; would you like to read that sentence in, starting "Secondly".

A "Secondly, when McIntrye Porcupine made their projections as to tonnages of exported coal, it became clearly evident that to handle the traffic that was indicated would be moved on the line the railway would have to be constructed on a much heavier and substantial basis than originally anticipated."

Q And the next sentence?

A "This, of course, too, increased the costs to a considerable extent."

MR. STEVENSON: That was all that I had.

MR. CRUMP: Does that complete your examination?

MR. STEVENSON: Yes, sir.

MR. CRUMP: Thank you very much for coming, Mr. Pitts, you may step down.

(Witness retires.)

MR. CRUMP: Before you call the next witness, Mr. Stevenson, I think in the light of one or two of the comments made by Mr. Pitts that I would like to place on the record that I retired from active service with the Canadian Pacific on May 3rd, 1972. And that while I am still a Director of Canadian Pacific, a fact of course, which the government was aware of when they appointed me to this

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N. J. Duncan - Stevenson Ex.

MR. CRUMP: (continued) position earlier in the year, immediately upon appointment to this position I filed with the Chairman of Canadian Pacific and with the Secretary of the company, a letter indicating my appointment, and that if there was any discussion whatever in regard to Alberta coal, either on rates or any other matter, in the Board, which I happen to attend, I wish to be excluded from the meeting. I just want to make that clear, Mr. Stevenson.

MR. STEVENSON: Yes, Mr. Chairman.

MR. CRUMP: Would you call your next witness.

NEIL J. DUNCAN, sworn, examined by Mr. Stevenson:

Q Mr. Duncan, I understand you are the Chief Engineer of the Coal Department of the Energy Resources Conservation Board of this province?

A That is correct, sir.

Q And I understand you have held that position for the past 20 months?

A Approximately, yes.

Q And I understand that the operation of the Coal Department is in fact a comparatively new operation within the Energy Resources Conservation Board?

A Indeed, yes, about six months prior to my joining it.

Q And I understand that prior to joining the Energy Resources Conservation Board staff you had been employed as a private consultant?

A This is right, yes, indeed.

Q In what line of work?

N. J. Duncan - Stevenson Ex.

A In coal mining consulting.

Q And would you indicate, please, your professional background in mining engineering and the related fields?

A I have a Bachelor of Science Degree in Mining Engineering from Edinburgh University; I am a Fellow of The Institution of Mining Engineers of the U.K.; a professional engineer of the provinces of Alberta, Manitoba and British Columbia; a Member of the Canadian Institute of Mining Metallurgy and a Member of the Engineering Institute of Canada.

Q And I understand you have been involved in the practise of your profession in various aspects for 28 years?

A About 28 years, yes, indeed.

N. Duncan - Stevenson Ex.

Q You are familiar with the McIntyre Porcupine Mines at Grande Cache?

A Yes, Indeed.

Q And I understand that for the past, at least year, the Energy Resources Conservation Board has been responsible for the inspection of the mine workings under the Coal Mine Act and its regulations, is that correct?

A This is right, yes.

Q In the fall of 1972, who was the inspector responsible for inspecting the underground mines at - operated by McIntyre Porcupine in the Grande Cache area?

A This was Mr. John Shaw who was based at our Hinton office at that time.

Q And he is no longer with the Board?

A He is no longer with the Energy Board, no.

Q And who was his superior?

A He reported to Mr. J.J. Kubin, who in fact was the acting director of Mines.

Q And I understand that Mr. Kubin is ill?

A He is indisposed at the moment, he is under doctor observation.

Q In the fall of 1972, the inspector responsible would have been Mr. Shaw?

A This is right, indeed.

Q And up until October, prior to October of 1972, had there been any unusual or unique problem that had come to his attention in his reports to the Board?

A Yes. His reports, part of his duty of course obviously was to examine the condition of the floor, roof and sides of the

N. Duncan - Stevenson Ex.

A (continued) underground mine and he had reported on most reports prior to that problems in controlling the roof, and particularly what is called normally the cap rock, this is normally a shale rock which underlines the heavier sandstone beds, and he did report in several of the operating places that there were problems in maintaining, holding this with the roof support system which at that time was roof bolting or rock bolting.

Q Now what is 'roof bolting' Mr. Duncan?

A This is a method of creating a laminated beam by taking weaker strata and prior to them separating from each other or separating from a main rock at the top, a hole is drilled into the cap rock or laminated beams and then put under tension. The rock bolt itself being imbedded into the beam and in doing so, the extracted area which is normally 18 feet wide in the case of McIntyre, is supported then by this laminar beam, it is not in fact supported by the roof bolts but supported by bringing these laminar beams, holding them together.

Q And they in turn are supported on either side?

A They in turn - the actual cap rock itself then and the laminations are supported on each side by the coal, and this is one of the reasons why in some of these reports the inspector, it is critical of any widening other than this actual 18 feet because you will appreciate that any widening here then takes away the beam effect, because while this beam itself is laminar, it has also got two columnar supports, one at each

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A (continued) side, so it is very important that the sides of the roadway are also supported and this is normally done by, where necessary, putting a wooden prop close to the side and lagging it and this prevents the coal pillar from sprawling away and hence weakening your overlying roof.

Q Had that been a problem to some extent?

A This has also been reported on by Mr. Shaw on his various reports that the lagging at the side required close attention.

Q At any rate, these reports that he made from time to time, what steps did he suggest could be taken to improve the situation, were taken, as far as you can determine?

A It was standard practice in the mine - it is standard practice that when the laminar beams fails and the roof bolts are no longer holding, or the laminars are no longer holding, it is to set props in the form of a soccer goal post if I can put it quite simply, which consists of two uprights and a cross measure. Now this beam is called a "beam", it is called a "boom" or a "bar", so it had a cross piece of approximately eighteen feet long and it has two props which are approximately the height of the seam, in this case about ten feet of coal were being taken, so we have a goal post, two posts ten feet high and a cross bar which can be metal or wood of about seventeen feet.

Q Were these problems evident in both number 2 and number 5 mine?

A They were evident in both mines but they were more acute in the number 5 mine in that this cap rock itself was of a thicker nature and hence of course if there was any bed separation takes

A (continued) place between the sandstone and these laminar beds, there is a greater weight comes on the roof bolt.

In the number 2 mine the thickness of the cap rock was normally nearer twelve to eighteen inches, and hence of course could be supported more adequately. Or alternatively in number 2 was where it thinned less than perhaps about eighteen inches, it could be brought down by cutting it with the cutter of the continuous mining machine.

Q So the rock itself was removed?

A The rock itself, the cap rock itself was removed, exposing the very competent rock above.

Q That was done in some cases in number 2?

A Quite a number of cases in number 2, yes.

Q I take it these are not unique problems?

A No. One of the major jobs of any mine manager, mining engineer or miner in fact is supporting the roof as distinct from the much more common hard rock mining in Canada here where the roof is very competent, the sedimentary strata which we find in coal mining is much less so and so all the mining systems are usually designed with roof support as one of the major criteria.

Q Now there was an occasion in October of 1972 when Mr. Kubin was called in to make a special inspection relating to a work stoppage, is that correct?

A This is right. I believe on the 13th of October there was a work stoppage and the Board were informed of this and were,

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H. Duncan - Stevenson Ex.

A (continued) in the circumstances Mr. Shaw's visit was reinforced by the fact that the Director of Mines, the Acting Director of Mines making the inspection.

Q And that was Mr. Kubin?

A Mr. Kubin accompanied by Mr. Shaw, yes.

Q And company officials and junior officials?

A The mine manager and I believe the safety committee were with these two inspectors, yes.

Q And what form of report did Mr. Kubin make then?

A May I refer to my notes here, please?

Q Yes.

A He referred to this in an internal report, two in fact. There was one made to McIntyre Mines Limited and one internal one.

Q I see.

A The one to McIntyre Porcupine Mines was addressed, dated October 23rd and he gives his report on October 19th.

Q As a result of the inspection on October 19th?

A Indeed, yes.

Q All right now, I have a copy of that and we will mark that as an Exhibit please, Exhibit 33.

COPY OF LETTER DATED OCTOBER 23, 1972
FROM MR. KUBIN TO MR. MURRAY RE
MINE NUMBER 1765 OPERATED BY
MCINTYRE PORCUPINE MINES LTD., COAL
DIVISION MARKED EXHIBIT 33.

Q MR. STEVENSON: What did Mr. Kubin report?

A If I may read from the report itself, he found in number 5 mine:

A (continued)

"I found the underground workings unsafe, especially the roads used for travelling and haulage of supplies, they require extensive roof and side repairs."

A little later on in the report he says:

"In view of the foregoing, before the production of coal is resumed, you are hereby ordered to make the necessary repairs in No. 5 mine so that it will be safe for travel and working."

These are the two important parts of that particular report.

Q The effect was that he told the company to cease production in number 5 until these steps had been taken?

A Well, production had ceased sir due to the industrial dispute, it was to be continued to be ceased even after the men resumed normal work.

Q And was the staff then put on the work of carrying out his instructions or recommendations?

A Indeed. We understand that the entire staff of that mine were put on to repair work. There were other repair jobs had to be done, but the majority of them, I understand, were put on timbering the roof in the fashion I described, with the goal post type of support.

Q Now the mine, ultimately, went back into production?

A Indeed, it went back into production in stages. By this time Mr. Merton Aschacker has taken over as the district inspector and made frequent inspections there and with the actual production was resumed and when each district became safe in

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H. Duncan - Stevenson Ex.

A (continued) his opinion and in the opinion of the mine manager.

Q At that time, Mr. Kubin also made an internal report, is that correct?

A Yes, indeed.

Q Dated October 31st, 1972?

A This is an internal report to Mr. Fowers who was manager of the Coal Department.

Q And Mr. Fowers was then in charge of the Energy Resources Conservation Board's Coal Department?

A This is right, and still is.

Q And that report was dated October 31st, 1972, and a copy of that was sent to the Chairman of the Board of Industrial Relations?

A Indeed this is right.

Q In view of the questions that were raised with respect to this work production at our hearings at Grande Cache, would you read to us the second paragraph of Mr. Kubin's memo and the third paragraph of Mr. Kubin's memo?

A Yes. The second paragraph reports to Mr. Fowers the:

"No. 5 and No.2, both of which ceased production the previous Friday, October 13th, because of a labour dispute which apparently was due to the unsafe conditions of the mines and the men refused to go back to work until such time they were made safe."

And then the other paragraph which you have asked me to read:

"In No. 5 Mine noted there was a 'false roof' of three

H. Duncan - Stevenson Ex.

A (continued)

"to five feet in thickness which fractured readily when exposed, especially over wide areas; above this were the hard sandstones. Initially 6 ft. x 5/8 inch roof bolts with a small steel plate are used to 'support' the roof."

And there is a part about ventilation which I shouldn't read there and then:

"In the main supply roads, condition of roof and sides were bad; originally these were driven 16 ft. wide and in most areas this was wider due to the coal ribs breaking away with some parting, which added to the dangerous condition."

And on page 2, the first paragraph on page 2:

"Most of the faces of the working places had a broken roof condition. It appears to me that the condition of this mine did not happen in a matter of a few weeks, but over a long period of neglect and repairs not being kept up. In my opinion the men were justified in 'walking out'."

Q He then reported that No. 2 mine seemed to have a slightly better condition?

A This is right, he indicates that the cap roof was being brought down by the cutting machine, the production machine.

Q And perhaps you would read the last paragraph on page 2?

A "In both mines ---"

MR. CRUMP:

Mr. Stevenson, you are filing this

document I take it?

H. Duncan - Stevenson Ex.

MR. STEVENSON:

I've got to have a copy of it made,
yes.

A "In both mines there were a large number of damaged flexible electric cables which were patched up with electric tape. This was brought to my attention several times by the Committee men in the course of the inspection."

MR. SABEY:

May I see it?

Q MR. STEVENSON: I gather, Mr. Duncan, that the inspector and staff are not concerned with the economics of making these repairs?

A This is correct sir. The object of an inspection and any report is to bring matters of safety to the attention of the management and the Act itself require the owner of the mine to make available the necessary funds to carry out these instructions.

Q And the inspectors then would not have made any judgment as to whether or not it was economically feasible to carry out the work that they asked?

A That is correct.

Q But the work that they sought to have done was in fact carried out?

A The work was carried out, indeed, exactly as they had asked, yes.

Q Now, the number 5 mine was closed in early 1973, is that correct?

A This is right, we were notified, I think it was on the 30th of

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H. Duncan - Stevenson Ex.

A (continued) January that a decision had been made by McIntyre to close the No. 5 mine.

Q Now at that time, in January of this year, did the Board have information which enabled it to pass upon the economic justifiability of that decision?

A In January we had no communications at all from McIntyre on the economic state of the mine. The only reports from that mine were the reports by the inspector on the safety conditions.

Q And I take it then that the Board would not pass upon the wisdom of this decision from the point of view of conservation of resources or anything else?

A Could you repeat that question?

Q The Board doesn't pass upon the wisdom of its decision to stop operations?

A At that stage, on the 30th of January, it was a fait accompli, the men had been told that they were redundant and we were not given the opportunity of making any sort of assessment of the reserves that would be left or what funds would be required to bring these out economically.

Q Then what did the Board do, did it take any steps at all in imposing conditions on the closure?

A Yes, we did. We pointed out to them that the, that they must apply for an abandonment permit, that they could not merely come out of a mine and leave it but that the Act actually asks, or the various regulations, ask for that there must be an abandonment permit issued, and we have a format which is to be

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A (continued) followed by the applicant for abandonment and he must produce certain plans and reports about the mine's condition at the time applying for abandonment and the decision as to whether to allow abandonment or not lies with the Board.

Q Is the Board in a position to compel to keep working a mine?

A There is no, there is nothing in the Coal Mines Regulations Act or Regulations with which we could insist that an operator continues to operate the mine. We can insist, by Act, that he abandons it in a safe condition.

Q And were there conditions imposed here or restrictions imposed here?

A Indeed, yes. We were informed that consultants for the Alberta Resources Railway had been brought in, mining consultants from British Columbia, and that they had made certain proposals on supporting the area of the mine immediately underneath the railway line. In the Board and in our engineering department, we studied these proposals and agreed with them.

Q And the mine was closed in accordance with those proposals, was it?

A We then authorized abandonment to the plan submitted by McIntyre, yes.

Q In the information that you had, would there be coal reserves still in the No. 5 working area?

A I would rather use the word "area" than "working area".

Q Yes?

A I would suggest that the working area have now no reserves

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A (continued) whatsoever, despite the fact that a good deal of coal was remaining in it. It was my opinion that we would never extract coal from that particular coal area. As far as the area is concerned, this is the total area which it was planned to work by No. 5 mine, there are considerable reserves of coal.

Q Now you say that there was coal left in the area that was abandoned?

A Yes.

Q In the actual working area?

A In the actual working area, yes.

Q Did the Board pass any judgment on whether or not those should be removed?

A We have not passed any judgment, no.

Q And where does your information as to the extent of these reserves come from?

A From the abandonment plan which was submitted as part of the application to abandon. We were given the exact state of workings as at midnight on the 1st of February, after which time no more coal was extracted. From this plan, it is a very simple matter for a mining engineer to calculate out the remaining coal which was practically all in the form of pillars.

Q And was that calculation made in this case, Mr. Duncan?

A An approximate calculation was made.

Q What is it?

A I haven't got the figures with me.

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Q Do you recall if it was a significant amount?

A About, I would say about one third of the reserves in the working area had been extracted.

Q Leaving two thirds?

A Leaving something of this order. Now this, this is purely and simply an opinion based on what, if everything had been absolutely ideal and all the coal had been extracted, I must point out here that with broom and pillar mining, an extraction figure of fifty percent is reasonably good and so when I say that two thirds were left, perhaps only fifty percent of two thirds of the coal could have been recovered.

Q And you wouldn't of course be in a position to comment on the economics of removing it?

A None at all, no.

Q And the Board, at least to this stage, its development does not get the kind of information which enables it to make those decisions, is that correct?

A That is correct.

Q Now you have said that there are other reserves in the area that was to be worked by No. 5?

A Yes.

Q And again you know that there is coal there but you don't have the economic information to determine whether or not it is economically mineable at today's prices, is that correct?

A This is correct, we had not been given any economic information by the company nor have we undertaken any economic studies ourselves.

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Q And where do these reserves lie, generally speaking?

A These reserves lie beyond the area which was worked. I have a plan of the mine workings which was submitted to us in photo reduced which is available to the Commission, should they so wish it.

Q We have a large plan which we can put in later, Mr. Duncan.

A Yes, right. I have it here somewhere.

MR. STEVENSON: At this point I would like to mark that letter of October 31st as Exhibit 34 and we will have it.

COPY OF LETTER DATED OCTOBER 31st,
1972 FROM J.J. KUBIN TO W.A. FOWERS
MARKED EXHIBIT 34.

Q MR. STEVENSON: Tell me this, Mr. Duncan, does the Board have information or lack information that enables it to comment on the economic mineability of the other sites that McIntyre Porcupine has under lease in the Smoky area?

A Yes, we, in conjunction with the Department of Lands and Forests and the Department of the Environment, when a mine operator such as McIntyre, and in particular McIntyre in this case, proposes to work a surface mine as distinct from an underground mine, there will be an insistence that a certain deposit is made to insure that should the operation cease prematurely, there will be sufficient funds available within the Provincial Treasury that reasonable restoration of the site can be undertaken.

Q So that it is an examination made from the point of view of restoration?

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A We asked Lands and Forests and the Environment as to what it would take to restore this area to its previous uses and the amount of deposit which would be asked from McIntyre would cover the restoration to these standards.

Q Would the company have been obliged to inform the Board or obtain approval from the Board with respect to the portion of the, any particular seam which they worked, does their authority restrict the area of the seam that they worked?

A Yes, we can, if we feel that good conservation practice is being contravened, we can insist that a mining company mines all of the coal, or re-examines the mining system so that all of the coal is taken out. This can be done under good conservation practice which is administered by the Board.

Q In mines No. 2 and 5 that were in fact operated, was McIntyre authorized to extract any particular portion of the seam?

A This authorization had been given by the Department of Mines and Minerals.

Q Before the Board ---

A --- prior to the Board taking over and the Department had authorized McIntyre to extract only the top approximately ten feet of the twenty foot seam.

Q Would that be the better portion of the seam?

A This is the better quality of the seam, yes, indeed.

Q So when we talk about reserve figures in that case, in the twenty foot seam we're talking about removing the top ten feet over?

A Exactly, and then if we achieve one hundred percent extraction

A (continued) of the top ten feet, we achieve an overall extraction of fifty percent which, if that was achieved, would be a very good figure for broom and pillar mining. I may say here incidentally that in fact they were taking the full twenty by broom and pillar mining, it is doubtful whether we could improve on the fifty percent. In fact it would probably be less.

Q Because of the size ---

A --- because of the height of the pillars and the crushing effect of this fairly soft coal.

Q At any rate, for the purposes of this Commission, that portion of the seam which has not been removed is of course lost?

A Indeed, yes.

Q And the No. 2 mine is still functioning?

A The No. 2 mine, yes, indeed.

Q And there are no, are there any unusual technical problems that the Board is aware of?

A No, the cap rock is being removed there, the somewhat thinner cap rock is being removed as part of the mining operation as and when necessary and to my knowledge, the mining operation is progressing according to the plans submitted to the Board.

Q And does the Board approve of the mining plans?

A Yes, we approved the mining plan.

Q From the point of view of safety or conservation or both?

A Nowadays it certainly is both. With a mine which was started prior to the Board taking over the regulations of the Coal industry, this is not necessarily done. The interests of the

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A (continued) Department of Mines and Minerals were basically on safety, but the duties of the Board certainly have taken both conservation and safety.

Q And Nos. 2 and 5 were started before that?

A Indeed, yes.

Q And new underground mines or mines, period, would have to satisfy the Board on conservation as well as safety?

A Indeed, yes.

Q But at this point, the Board does not have economic information with respect to any of McIntyre's potential or proposed development other than that that was given at the hearings in connection with No. 9 mine, is that correct?

A That is correct.

MR. STEVENSON: I'm afraid I will have to ask to adjourn at this point.

MR. CRUMP: Have you completed your examination-in-chief?

MR. STEVENSON: Not quite.

MR. CRUMP: Then I think it would be advisable to adjourn until 9:30 tomorrow morning.

Mr. Duncan, will you hold yourself in readiness at 9:30?

A I would have to, I have meetings tomorrow, I can report in about half an hour as to whether I can change these. I believe so, yes, but I must obviously consult with my superiors.

MR. CRUMP: Thank you, we will expect you at 9:30 tomorrow morning. then. This meeting is adjourned.

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(The Hearing adjourned at 1:00 P.M.)

